

**Friends of
the Earth**

FRIENDS OF THE EARTH TRUST LIMITED

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

REPORT AND ACCOUNTS

for the year ended 31 May 2010

Company Number 1533942
Registered Charity Number 281681

FRIENDS OF THE EARTH TRUST LIMITED
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010

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FRIENDS OF THE EARTH TRUST LIMITED

REFERENCE AND ADMINISTRATIVE DETAILS

Friends of the Earth Trust Limited is a company limited by guarantee, not having a share capital, and is also a registered charity governed by its memorandum and articles of association.

Charity Registration Number: 281681
Company Registration Number: 1533942

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 Trustees, who are the Directors of the company for the purposes of the Companies Act, are appointed by invitation and are responsible for setting policy and agreeing strategy. Half retire each year and may offer themselves for re-appointment. Trustees who held office during the year were:

M. Smyth (Chair)	M. Hammond
J. Birch (appointed October 2009)	D. Horsman (appointed October 2009)
R. Byrom (resigned July 2009)	Dr M. Hughes (appointed October 2009)
P. Chapman-Pincher	U. Luhde (retired September 2009)
D. Coleman	A. McMurray (retired September 2009)
S Crocker	F. Pennycook (retired September 2009)
S. Edwards (retired September 2009)	A. Rae
J. Gold (appointed October 2009)	J. Tiller (appointed January 2010)
H. Griffiths	P. Whitney
J Halladay	

Executive Director	A. Atkins
Company Secretary	E. Kavanagh

The day to day management is delegated to the Executive Director, the Senior Management Team (made up of employees selected for their expertise in the various activities of the organisation) and the Trust's other staff.

Principal advisors:

Register auditors:
haysmacintyre, Chartered Accountants
Fairfax House, 15 Fulwood Place
London, WC1V 6AY

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

Solicitors:
Bates, Wells & Braithwaite LLP
2-6 Cannon Street, London EC4M 6YH

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT

The Trustees present their report and financial statements for the year ended 31 May 2010.

The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005 in preparing the annual report and financial statements of the charity. The financial statements also comply with the charity's governing documents.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Friends of the Earth Trust Limited works closely with Friends of the Earth Limited, a company which is not a registered charity, but each organisation is managed as a discrete and autonomous entity. They work closely together, sharing staff, resources and a brand, in order to achieve their separate but similar objects as cost effectively as possible. Both companies comply with *Good governance: a code for the voluntary and community sector* as set out by The National Hub of Expertise in Governance.

The majority (10) of Friends of the Earth Trust's trustees are active members of our local groups' network and are recruited by election from the Friends of the Earth local groups in each of 10 regions. The remaining trustees (up to four) are co-opted to bring the skills, expertise and experience to enable the board to provide effective governance to Friends of the Earth Trust Ltd. These four trustees are not also directors of Friends of the Earth Limited so as to ensure that both companies can operate independently of each other. These four trustees are recruited through a variety of methods including advertisements in our supporter's magazine and the wider press. A selection process is undertaken to select the most appropriate trustees with skills required at that time. All trustees serve a three year term that can be renewed twice, so that a maximum of 9 years can be served.

All new Trustees receive comprehensive induction training including: an induction meeting, an induction pack, tour of the Head offices, meetings with key staff and appointment of a mentor from existing trustees. Training is offered in areas where trustees need to improve their skills, there is a refresher programme for all Trustees, and the overall skills of the trustee body are monitored by the Organisational Excellence Committee.

The Board meets five times a year, four of those in joint session with the Board of Friends of the Earth Limited, and once independently. Its principal role is to determine mission, policy and strategy; to monitor the organisation's performance; to appoint and manage the Executive Director and to manage the governance process.

Friends of the Earth Trust has three Board committees who also meet quarterly prior to the board meeting and scrutinise various elements of the organisation's work. These committees are the Campaigns Committee, the Supporter Engagement Committee, and the Organisational Excellence Committee.

The day to day running of Friends of the Earth and the exercise of executive responsibility is delegated to the Executive Director and his leadership team, known as the Senior Management Team.

Risk Management Statement

The Trustees have reviewed the major risks to which the charity is exposed, including ones arising from the strategic plan (2008-13), political change and the difficult economic climate, and confirm that systems have been established to mitigate those risks. This review, carried out quarterly by the Trustees and senior staff, has identified that there are currently no major risks which require urgent remedial action outside of the company's normal on-going systems and procedures.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

Public Benefit Statement

The Trustees confirm that they have complied with the duty in section 4 of the Charity Act 2006 to have due regard with the Charity Commission's general guidance on public benefit "Charities and Public Benefit".

The Trustees ensure that the charitable purposes are carried out for the public benefit by commissioning research, public-awareness raising and campaigning to further all of the above. It delivers the above purposes through strategic aims, the performance and details of which can be found in the section "Achievements and Performance". The Trust does not exclude anyone from becoming a member or supporter and its campaigning and raising awareness on environmental matters is directed to all in society.

OBJECTIVES AND ACTIVITIES

In 2008, the Board agreed a 5 Year Strategic Plan for the years from June 2008 to May 2013 which set out aims and objectives to be delivered to further the charitable objects over the life of the plan. Each year an Annual Business Plan is prepared and approved by the Trustees. This year was the second of the 5 Year Strategic Plan.

We adapted our priority work to the changing political, economic and scientific context in 2009/10 in the following ways:

1. Focused our campaign package to ensure rapid delivery of climate changing emissions, maximized synergies between campaigns (ensuring our work delivers best results for both biodiversity and climate change), playing to our strengths as an organization, with a particular emphasis on our local to global reach.
2. Adapted our messaging to show that our solutions are not only necessary for the sake of the planet but also are the most cost effective response to growing energy and food costs;
3. Commissioned research to show that this was the case: see **Aims 1 – 3**, and
4. Won the support of others to help advocate our case – see examples of coalition work

External Context

The UK remained in recession for most of the year so that the economy was firmly at the top of the UK political agenda. However, this economic agenda is very closely related to environmental issues, such as the depletion of oil reserves, climate change, the dash for bio-fuels and the increases in food costs. Keeping the environment in the public's mind during a recession is essential and moving towards a low carbon economy is critical to furthering our charitable objects.

Given that all opinion polls in the run up to the General Election indicated a significant reduction in support for the Labour Government, and the very high number of MP's standing down, we felt that it was essential to mount an intensive election campaign to make sure that politicians pushed the environment up the political agenda for the new parliament. Work concentrated on three areas: (i) influencing the content of party manifestos; (ii) putting pressure on candidates to support our work at the hustings; (iii) use of our website to allow visitors to put pressure on their candidate. We were pleased to be able to work with Blue State Digital (the agency behind Obama 08 and 38 degrees) to use the election campaign as content to develop a pilot digital campaign that sent out personalised and targeted messages calling for action over an eight week period. The aim of the work was to maximise the benefit to our existing campaigns. By the end of the campaign we had secured a commitment on local carbon budgets from all three main parties.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

There are three main Strategic Aims for the five-year period to May 2013, described below with the progress we have achieved on each in the second year. Although our strategic Aims have not changed, we have prioritised activities and projects within them that respond to the external circumstances.

ACHIEVEMENTS AND PERFORMANCE

Friends of the Earth Trust continues to make a difference to the way the public, government and business view environmental issues, through carrying out in-depth research and publishing groundbreaking reports, as well as providing information, campaigning and raising awareness amongst the general public. 2009/10 has seen the organisation trying new methods of campaigning to provide greater intensity of action

All the activities carried on during the year are focussed around the three main strategic long-term aims:

AIM 1: SAFE CLIMATE

We aim to avert the extreme effects of climate change by influencing fair and just international agreements to curb emissions, and promoting solutions, demonstrating what a low carbon economy and future will look like.

Our successful 2005-2008 Big Ask campaign resulted in a strong Climate Change Act in the UK, a victory that we can be proud of, and one that needs to be built upon both nationally and internationally. The challenges for 2009/10 were twofold. Firstly, the climate summit in Copenhagen in Dec 2009 was an opportunity for the international community to take steps to prevent irreversible global warming of 2 degrees above pre-industrial temperatures; and secondly there was the need to provide education and guidance on implementing the Climate Change Act in the UK.

Copenhagen Climate Summit

In Copenhagen we led our international network's delegation, working with a wide range of partners to influence the negotiations. The campaign succeeded in generating profile and activism opportunities and strengthened the international federation. In spite of the disappointing outcome of the summit, we did manage some key achievements:

- More than 45,000 people from 164 countries signed our petition to world leaders
- Over 750 Friends of the Earth supporters joined the Wave mass action of 5,000 people
- Around 10,000 daily actions ('The Swarm' – a new form of online campaigning) were taken during the talks in December.
- We put the issues of carbon trading and offsetting on the table, through the publication of our report 'A Dangerous Obsession'
- Headway was made on securing climate finance for developing countries
- We ensured the creation of spaces for southern voices to be heard and a stronger climate justice movement

Beyond Copenhagen

In 2009/2010 Friends of the Earth in partnership with the Foreign Commonwealth Office (FCO) and the Department of Energy and Climate Change (DECC), instigated and supported a series of seminars across Europe to showcase the UK Act, explain some of its key provisions, and encourage debate amongst government, business and civil society delegates on legislative approaches and the transition to a low carbon economy. Up to April 2010, 8 seminars have been held in Budapest, Berlin, Madrid, Dublin, Warsaw, Helsinki, Vienna and Riga. The British Embassies organised the events locally.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

The next two years of UN negotiations are crucial to getting lasting change. Together with our partners we'll put pressure on developed country governments to tackle their emissions and put meaningful finance in place for low-carbon development. We will do this by building an even stronger global alliance, by supporting developing countries and vulnerable states, by exposing vested interests and by advocating for policy solutions that will prevent climate change.

UK: Get Serious about CO2

The practical delivery of the Climate Change Act in the UK has been a key objective for 2009/10. As reported last year we intend to do this by working with communities to put pressure on Local Authorities (LA's) to deliver a 40% per capita reduction in carbon emissions by 2020. This model probably makes Get Serious one of the most complex campaigns we've run, though it does give local communities the opportunity to really build their capacity, knowledge and campaign experience.

By December 2009, 70 groups were engaging communities and building public support covering 69 LA's (compared with an initial target of 50) and 14 councils have signed up to the target, representing 11% of the population of England.

Over the last year we have published authoritative research revealing that deep emissions cuts are not only possible but will bring a wealth of benefits for local people. Amongst this research was "*How to cut carbon locally – and how to pay for it*", which recognised that some LA's would need more information before they felt ready to adopt the 40% target. It included a section "*Funding Action on Climate Change*" by Tony Travers of the London School of Economics and also 12 case studies of successful local action to cut carbon compiled by planning and engineering consultants Arup. Further research looked at job creation, renewable energy, local transport and minimum energy efficiency standards for private rented homes.

At a national level, all major political parties now support a form of local carbon budget and we are asking for emissions capping to be introduced for each LA area.

In May we held two exceptional conferences jointly with the Energy Savings Trust (EST) – in London and Manchester – with over 230 people from councils and housing associations, to tell them about the potential for Feed in Tariffs to unlock an explosion of renewable energy installation. Demand was so high that EST have organised 2 more in Birmingham and Leicester.

In the coming year we will continue to encourage local communities to put pressure on their LA's to adopt the target of 40% reduction by 2020, at the same time as we build partnerships and alliances such as those that we have formed in the last year with UNISON, TUC, Federation of Small Businesses and National Federation of Women's Institutes amongst others.

IMPACTS OF CLIMATE WORK:

- The UK is now committed to getting 15% of its energy from renewable sources, generating momentum for a massive expansion of renewable energy and will help communities reduce their carbon footprint.
- We've provided information and tools to Local authorities to enable them to cut their emissions and benefit their local economy & the livelihoods of local people. 14 LAs have signed up to delivering 40% reductions by 2020.
- We've engaged the public where they live, through the media, schools, local community groups and organisations, to learn about the issues and to act upon them.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

AIM 2: HEALTHY PLANET

We aim to halt biodiversity loss and reverse the loss of ecosystem services by 2030 at the global, regional and national levels, in ways that protect the rights of people who depend on ecosystem services and enhance the sustainable use of natural habitats.

Food Chain

In April 2009, we launched the Food Chain campaign, publishing research showing that £700 million of tax-payers money is spent supporting intensive livestock production in England. The research looked at the need to make incentives available to change livestock production so they use fewer inputs and are developed in line with climate and biodiversity goals, including support for local protein feed production.

In October 2009 we launched the film "*Killing fields: the battle to feed factory farms*" with Friends of the Earth Europe, which reveals the social impacts of the meat and dairy industry. Pesticide spraying of GM soy – using tractors and planes – has increased rapidly in recent years. This has led to severe and widespread health problems. Friends of the Earth launched a full investigation and produced the film, which is being used to call for urgent action by Governments in Europe and South America.

In November 2009 we published our research report "*Eating the Planet: feed the world without trashing it*", which modelled future food production and consumption in order to assess how we could feed the world sustainably. The report was released jointly with Compassion in World Farming and showed that intensive farming methods are unnecessary.

Also in November we staged a major comedy and music fundraising event in London (Livestock) that attracted an audience of over 2,000 people. As well as making a modest profit on the evening this helped to raise awareness of the issues around importing soy-based animal feeds from South America.

Internationally, we have continued our work with Sobrevivencia in Paraguay, empowering local farmers to halt the advance of mono-culture soy plantations and the resultant loss of biodiversity.

Locally 120 community groups ran events and activities in support of our aim to highlight the impacts of soya plantations through a 'Summer of Action' including the Food Chain Fortnight. We are also working closely with farmers, NGO's and retailers to build further support and to test our solutions, demonstrating that they work in practice. In March 2010 we held a Farmer Training Day in Birmingham, to give groups the confidence to build alliances with local farmers.

Biofuels

Rainforest is destroyed to make way for biofuel crops in the name of tackling climate change. 2008 was the year we exposed this development and were fundamentally responsible for a massive shift in public perception of biofuels – one of the many false solutions to climate change.

In 2009/10 the focus of our work has been on the implementation of the Renewable Energy Directive (RED) in the UK and Europe. We have focussed on asking to minimise the amount of biofuels included in the UK National Action Plan. We produced a report on the impacts of Jatropha – a D1 oil crop plant that was widely publicised as a sustainable source of biofuel, and we got an advertisement describing palm oil as sustainable banned in the UK.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

We are the UK charity leading the debate on emissions from indirect land use change (ILUC) and as a result the government invited us to be a member of the scientific advisory group on the Department for Transport's research into ILUC emissions from biofuels. In the coming year we will continue to campaign for a strong ILUC penalty factor for biofuels, which should stop the use of the most dangerous ones, including palm oil.

New Supermarket Watchdog

Following concerted campaigning over a number of years, the Government announced plans for a supermarket watchdog and Groceries Supply Code of Practice. While much more needs to be done to ensure farmers get a fair deal and can afford to invest in greener practices, this is a major step forward and will stop the worst abuses of power by the big supermarkets.

IMPACTS:

- As a direct result of our work with the people of Luz Bella, the Paraguayan Environment Ministry has launched 8 investigations into possible breaches of the law;
- Bristol city councillors rejected legal advice and threw out plans to build a biofuel plant that would have been burning palm oil – plans were also turned down in Southall and Portland, and in Newport (Gwent)
- The Sustainable Livestock Bill brought in to existence in the UK;
- The Groceries Supply Code of Practice has been in place since 4th February 2010

AIM 3: FAIR WORLD, SMART ECONOMIES

We aim to secure a substantive right to a healthy environment in UK law; strengthen the Aarhus procedural rights; and empower people to use their environmental rights.

We will identify the major transformations that must be made to the economic policy and resource use, help catalyse transformations to the global economy and secure actions to achieve these - so that we respect global environmental limits, ensure fair access to resources and pollution capacities, and deliver well-being to all people.

We believe everyone has the right to live in a healthy environment. Research has demonstrated that the poorest people in society are hit hardest by environmental pollution and degradation. Not only have we been campaigning for better environmental rights for all, we've been empowering people to put a stop to environmental injustice. Working with communities at home and abroad, we're giving them the skills and confidence to achieve positive change and protect their environment. Campaigning on sustainable economies and resource use, we will gather the analysis to promote feasible, credible, green and fair economic alternatives:

Promoting sustainable economies:

Our strategy has 4 broad goals:

- Setting out and campaigning for a manifesto to deliver a low-carbon economy
- Making it easier and cheaper for people to go green
- Telling the public that environmental regulation will be good for the economy
- Proposing alternatives to the hard wiring within economic decision-making that puts a heavy bias against environmental goals.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

Politicians are desperate to find measures to strengthen the economy in the wake of the recession and to mitigate its worst effects. We see this as an opportunity to champion measures that create jobs and stimulate new investment in a low-carbon economy.

In Spring 2010 we successfully delayed the introduction of deeply flawed National Policy Statement (NPS) series, using the threat of legal action and winning the policy argument. We are now working with DECC, IPC and CCC to strengthen how the NPS series treats climate change.

In terms of carbon pricing, as a direct result of our work, the Government has changed how it values carbon in policy appraisal. It used to use estimates of the monetary damage cost of a tonne of carbon, which heavily underestimates the full impacts of climate change. This has now been replaced with the cost of meeting the carbon budgets in the Climate Change Act.

In the Labour Government's March budget it was announced that a Green Investment Bank (GIB) was to be set-up, capable of leveraging billions of pounds of private investment into low-carbon technology, initially focussed on offshore wind. Whilst there is some uncertainty over how the new Government will fund the GIB, there does not appear to be any suggestion that it will not go ahead. We will continue to be involved in this work through the Transform UK alliance.

Key pieces of research were undertaken:

- Support was given to Ingrid Holmes to help finalise a UK national energy efficiency model programme that takes into account the kind of programme that would facilitate the highest levels of investment in building energy efficiency whilst being able to address fuel poverty.
- The ex-Director of Renewable Energy at Ernst and Young was commissioned to set out the priority policies for accelerating investment into renewable energy.
- Sean Kidney of the Network for Sustainable Financial Markets was commissioned to write a briefing to gain political support for a parliamentary petition in favour of a Climate Bank and Climate Bonds.

Much of our work in the coming year will focus on calling for the introduction of a Robin Hood Tax – a tax on international financial transactions as a way to generate funding for national and international development as well as a specific amount (suggested 25%) on climate change development. This is a good opportunity to accelerate investment into developing countries and for us to help push through some form of international financial tax in partnership with our international network and other partners. We also plan to develop an in-depth strategy with these partners to secure the funds and governance arrangements, with a view to achieving prioritised changes, by international negotiation, by the end of 2011.

Resource Use

Nationally we've been involved in DEFRA consultations and policy development on waste relating to landfill/incineration bans, waste framework directive implementation and promoting sustainable waste management. We've established contact with the new government, which has committed to review waste policy, giving us a real opportunity to get higher recycling targets. Locally we have coordinated opposition to proposed incineration plants in Hertfordshire, Shropshire and Avon.

Internationally we have been working closely and cooperatively with Friends of the Earth Europe, issuing a series of reports on resource use and waste prevention, leading up to a conference (and supporting seminars) held in the European Parliament on Measuring Europe's Resource Use during June 2010. Together with Friends of the Earth Europe and sister organisations we obtained approval for our 1million Euro funding bid for 3 years work on the RedUse project.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

Environmental Rights

Our Rights and Justice Centre is a groundbreaking initiative that provides legal support on environmental and social issues for members of the public, community groups and other NGOs.

We have had a number of legal successes working for local and community groups. Throughout the year our Rights & Justice Centre operates a free advice legal hotline. The team responds to each request by phone or in writing after thoroughly researching the issue.

In May 2010 in St Albans, we held another incredibly successful Power Up event. Our annual weekend of workshops and networking teaches participants how to exercise their legal rights in their own community campaigns on anything from open cast coal mines, incinerator building, road building, refugee rights and supermarket developments, to air and noise pollution. Over 40 participants learned how to use the planning process and developed legal & campaigning skills through direct conversations with our lawyers, planners and campaigners and a mock planning committee meeting.

We also held a Power Up Wales event in Merthyr Tydfil in January 2010, which was put on to specifically address the local issues of this particularly disadvantaged area that has historically attracted many 'dirty' industries and which has been put forward as the potential site for an incinerator that would take 750,000 tonnes of waste a year.

Impacts:

- Shortly before the General Election John Denham, the then Secretary of State for Local Government, gave a boost to our calls for the introduction of local carbon budgets when he announced a pilot project of Local Carbon Frameworks. Subsequently Oliver Letwin (Minister of State for the Cabinet Office) has confirmed the new Government's recognition of the need for local carbon budgets as part of the implementation of the Climate Change Act.
- Green Investment Bank to go ahead
- Our work through the Rights & Justice Centre and Power Up has ensured that people's and communities' rights about the environment in which they live are protected in decision-making systems, furthering our objective that environmental justice moves to the centre of public discussions and decisions.

Other factors relevant to the achievement of objectives:

As a result of the global economic crisis unfolding from Sept 2008, Friends of the Earth undertook detailed re-projections of our income; and in the light of these decided to scale back our intended growth plans and restructure to ensure we are financially viable and have our limited resources allocated according to priorities. This resulted in significant financial savings being implemented from mid-2009. We tried to minimise the number of redundancies, but, regrettably, reduced total staff by the equivalent of about 20 full-time roles. Many of these were posts that we had planned to recruit to however, rather than current roles. We also significantly streamlined the Senior Management Team (SMT) from 12 heads of function to 6 directors to give a more strategic cross-team span to each role.

There was no change to the aims included in the strategic plan, but reassessment and prioritisation was required within it.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

FUNDRAISING PERFORMANCE

Total fundraised income decreased by 9% on last year (4% if the grants from Friends of the Earth Limited are excluded in each year). This decrease was due in part to a 61% fall in legacy income which is an unpredictable income source.

Individual supporters regular membership subscriptions and donations rose to £6.4m from £5.8m, an increase of 10.6%, and 81% of voluntary income (2008/09 80%). However, grants from trusts & foundations fell by 10% (excluding the grant from Friends of the Earth Limited) to just under £600,000 (2008/09 £670,000).

Restricted income grew by 14% to £748,466 (2008/09 £656,266).

Every £1 raised cost 14 pence. (2008/09 every £1 raised cost 9 pence). The costs of fundraising increased by 27 per cent to £1.1m (2008/09: £883k). This increase was due to investing in future income generation by exploring and testing new methods and channels.

Friends of the Earth is a member of the Fundraising Standards Board (FRSB) Scheme, the body for self-regulation of fundraising in the UK. As a member we agree to adhere to the highest standards of good practice including when dealing with enquiries about our fundraising.

FINANCIAL REVIEW

We are disappointed to report a decrease of £0.8 million in total incoming resources, to £8.1 million for the year ended 31 May 2010. This was due to the £0.9 million drop in legacy income, which is very unpredictable and fluctuates from year to year. We are grateful to all those who remember us in their will.

Donations from individual supporters make up 86% of our total incoming resources, of which committed giving income (monthly direct debits and standing orders, Give As You Earn and other regular gifts) accounts for 79%. This regular, reliable source increased by 11% on last year, and increased from 65% of total income last year due to the decrease in legacies and grants.

The Trustees focus on raising funds from individuals because we consider that maintaining the Trust's financial independence ensures the integrity of its work. However, this is, generally, a more expensive way to raise income than other fundraising methods.

Expenditure on charitable activities decreased by 16% this year to £6.5 million. Under SORP 2005, expenditure is reported according by Strategic Aim, as described under the Objectives & Activities section above, and Note 6 shows how this expenditure is broken down. 88% of charitable expenditure was on direct and indirect costs of campaigns, i.e. non-support costs. The employee costs are detailed in Note 9 but this does not take account of the tremendous contribution made by hundreds of volunteers who work throughout the organisation and without whom we could not achieve so much.

Governance costs (Note 8) increased this year by 7% partly due to an increase in staff time on assisting the Board with governance issues.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

RESERVES

Total incoming resources were greater than total resources expended by £41,050 and this has increased our fund balances to £1,239,521 (of which unrestricted funds total £1,236,780). Free reserves (unrestricted funds excluding fixed assets) were £777,532, which represents just over 5 weeks of current normal operating expenditure.

During the past year the Trustees reviewed its policy on the level of reserves it should hold. They decided to take a risk-based approach to reserves so that they intend to hold a level of unrestricted free reserves sufficient to meet the quantification of the most significant risks on the risk register. The target free reserves are calculated on the basis of financial impact and probability of the significant risks identified in the risk assessment and amount to £1.7 million. The free reserves held at the end of 2009/10 were less than this, so Trustees plan to reach this level of reserves gradually over the next 5 years (by 2014/15). The level of reserves required based on this approach will be reviewed every 3 years.

The Trust's reserves policy is detailed in Note 1 to the accounts.

INVESTMENT POLICY

It is the policy of Friends of the Earth Trust not to hold any equity investments, i.e. not to invest in companies. Any surplus cash is held in banks that have effective environmental, social and ethical policies, namely the Co-operative Bank and Triodos Bank.

ENVIRONMENTAL POLICY

It is the policy of Friends of the Earth Trust to minimise the impact of its own organisational activities on the environment without compromising its work. An environmental monitoring programme was implemented at the head office in 2007 to measure and monitor impacts. The programme was rolled out to most regional offices during 2008. Reduction targets for the head office have been set and progress against these will be publicly reported from 2010.

PLANS FOR FUTURE PERIODS

The year was the second of our new Strategic Plan 2008-13. Over the next 3 years we will continue to make real headway on the biggest environmental threats facing humanity – climate change and the destruction of natural systems and habitats, such as tropical rainforests, that support life on earth.

We intend to carry out a major review of the effectiveness of the strategic plan during the coming year to ensure that we are addressing those challenges that will have the biggest impact possible in a changing external environment.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

Friends of the Earths' campaign package for 2010/11 is designed to raise awareness the opportunities available to government, business and the public to lay policy and behaviour foundations for much faster cuts to greenhouse gas emissions in the UK and internationally, and long term reductions in deforestation.

Our strategy is to work, supported by Friends of Earth Limited, with international partners towards a strong and just global agreement on climate change, while encouraging the UK to tackle its domestic footprint and the effect of its consumption on global emissions now. So, we will also involve the public, our supporters and local volunteers in persuading local authorities in England and Wales to get serious about cutting carbon, and in pressing the government to address one of the biggest contributors to climate-changing emissions and habitat loss through deforestation - the global food system.

Therefore, our 3 main campaigns over the next year are:

Demand Climate Change: following the disappointing outcome in Copenhagen, we will use the opportunity in Cancun to try again to push rich countries to clean up faster to enable poor countries develop in a clean way. The focus of this campaign remains the demand that carbon emissions need to be cut by 40 per cent across developed nations by 2020. This is a tough target to meet, especially without resorting to carbon offsetting, which we have shown to be ineffective in achieving real reductions.

Get Serious about CO₂ – although we will continue to ask local authorities to commit to reducing per capita reductions in emissions of 40% by 2020, in the coming year we will also be making practical suggestions about how significant savings can be made. We will push for minimum energy efficiency standards for all private rented housing and the greater take up of small scale electricity generation in communities.

Fixing the Food Chain – targets alone will not work unless we begin to tackle the big international drivers of climate change and habitat loss. The global meat and dairy industry causes more climate-changing emissions than all the planes, trains and cars on the planet. We will expose the chain linking factory farming in the UK to South American soy production, rainforest destruction, social upheaval and climate change. We will push for the shifting subsidies away from factory farming to a thriving UK farm sector that provides planet-friendly meat and dairy for families in Britain.

We know that climate change and biodiversity loss will hit the poorest hardest, but we believe everyone has the right to live in a healthy environment. So we will continue to work for better environmental rights for all, and with communities to use their rights to achieve environmental justice.

Finally we will aim to achieve these objectives through developing our strength as an organisation – through broadening our visibility, increasing the ways people can work with us and support us, and ensuring our work culture and systems are as effective as possible to deliver our external aims.

FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of Friends of the Earth Trust Limited for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK 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 charitable company will continue in business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time of the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as we are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

RELATED PARTY

The work of Friends of the Earth Trust is supported by that of Friends of the Earth Limited. The latter is a registered company limited by guarantee and it 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. Friends of the Earth Limited made an unrestricted grant of £300,000 to Friends of the Earth Trust Limited in this current year.

Friends of the Earth Limited rents some of its office space from Friends of the Earth Trust at a commercial rent agreed annually by the Trustees. For administrative efficiency, the two companies also jointly employ staff and share a number of office services. The value of these transactions is detailed in Note 21 to the accounts.

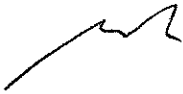
FRIENDS OF THE EARTH TRUST LIMITED

TRUSTEES' REPORT (continued)

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 Trustees on 23 October 2010 and signed on behalf of the board,



M. SMYTH
Chair of Board

FRIENDS OF THE EARTH TRUST LIMITED

AUDITOR'S REPORT

We have audited the financial statements of Friends of the Earth Trust Limited for the year ended 31 May 2010 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with the regulations made under the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditors' 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 charity and the charity's Trustees as a body, for our audit work for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As described in the Statement of Trustees' Responsibilities the charity's Trustees are responsible for preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' responsibilities.

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

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 United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with those financial statements.

In addition, we report to you if, in our opinion, the charity has not kept adequate accounting records, if the charity's financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) 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 Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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.

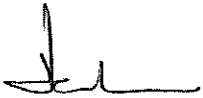
FRIENDS OF THE EARTH TRUST LIMITED

AUDITOR'S REPORT

OPINION

In our opinion:

- The financial statements give a true and fair view of the state of the charity's affairs as at 31 May 2010 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and
- The information given in the Trustee's Annual Report is consistent with the financial statements.



Bernie Watson
Senior Statutory Auditor on behalf of haysmacintyre

Date: 23 October 2010.

Fairfax House, 15 Fulwood Place, London WC1V 6AY

FRIENDS OF THE EARTH TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MAY 2010

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2010 £	Funds 2009 £
INCOMING RESOURCES					
Voluntary income	2	7,172,122	748,466	7,920,588	8,803,344
Activities for generating funds	3	47,797	-	47,797	-
Bank interest		6,307	-	6,307	43,185
Incoming Resources from Generated funds		7,226,226	748,466	7,974,692	8,846,529
Activities in furtherance of charities objects	4	140,442	-	140,442	105,390
Other incoming resources	5	6,463	-	6,463	-
TOTAL INCOMING RESOURCES		7,373,131	748,466	8,121,597	8,951,919
RESOURCES EXPENDED					
Cost of generating Funds					
Costs of generating voluntary income		842,443	-	842,443	577,843
Costs of recruiting supporters		276,371	-	276,371	305,274
		1,118,814	-	1,118,814	883,117
Charitable Activities	6, 7	5,751,842	757,162	6,509,004	7,744,215
Restructuring costs	22	370,748	-	370,748	-
Governance Costs	8	81,981	-	81,981	76,761
TOTAL RESOURCES EXPENDED	9-12	7,323,385	757,162	8,080,547	8,704,093
NET INCOMING RESOURCES FOR THE YEAR		49,746	(8,696)	41,050	247,826
FUND BALANCES AT 1 JUNE 2009		1,187,034	11,437	1,198,471	950,645
FUND BALANCES AT 31 MAY 2010	18	1,236,780	2,741	1,239,521	1,198,471

All transactions during the year are derived from continuing activities. This statement includes all income and expenditure for the company during the year as well as all recognised gains and losses.

FRIENDS OF THE EARTH TRUST LIMITED

BALANCE SHEET AS AT 31 MAY 2010

	Notes	2010 £	2009 £
TANGIBLE FIXED ASSETS	14	<u>459,248</u>	<u>572,185</u>
CURRENT ASSETS			
Debtors	15	417,178	505,726
Cash at bank		1,643,453	1,307,989
		<u>2,060,631</u>	<u>1,813,715</u>
CREDITORS - DUE WITHIN ONE YEAR	16	<u>(1,280,358)</u>	<u>(1,187,429)</u>
NET CURRENT ASSETS		<u>780,273</u>	<u>626,286</u>
NET ASSETS		<u><u>1,239,521</u></u>	<u><u>1,198,471</u></u>
FUNDS			
Unrestricted: General Fund		1,236,780	1,187,034
Restricted	17	2,741	11,437
TOTAL FUNDS	18	<u><u>1,239,521</u></u>	<u><u>1,198,471</u></u>

The financial statements on pages 18 to 28 were approved by the Trustees on 23 October 2010 and were signed on their behalf by:

M. SMYTH

Chair



P. CHAPMAN-PINCHER

Trustee



FRIENDS OF THE EARTH TRUST LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2010

	Notes	2010 £	2009 £
Net incoming resources for the year		41,050	247,826
Adjusted by:			
Interest receivable		(6,307)	(43,185)
Depreciation charges	14	121,200	130,320
Decrease/(Increase) in debtors		88,548	(178,094)
Increase/(Decrease) in creditors		92,929	(180,002)
NET CASH INFLOW/(OUTFLOW) FROM ACTIVITIES		337,420	(23,135)
 Returns on investments and servicing of finance			
Interest received		6,307	43,185
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		6,307	43,185
 Capital Expenditure			
Payments to acquire fixed assets	14	(8,263)	(5,053)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(8,263)	(5,053)
 INCREASE IN CASH		335,464	14,997
 ANALYSIS OF CHANGES IN NET FUNDS			
Balance as at 1 June 2009		1,307,989	1,292,992
Net cash inflow		335,464	14,997
Balance as at 31 May 2010		1,643,453	1,307,989

FRIENDS OF THE EARTH TRUST LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010

1. ACCOUNTING POLICIES

Basis of Preparation

The accounts are prepared under the historical cost basis, in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) and in accordance with applicable UK law and accounting standards.

Fund Accounting

Unrestricted funds comprise accumulated surpluses and deficits on general funds. They are available for use at the discretion of the Trustees in furtherance of the general charitable objectives. Restricted funds are those that are to be used according to specific conditions imposed by donors.

Incoming Resources

Donations and grants (including government grants) are credited on a cash received basis and the related income tax recoverable on such donations is accrued. Legacy income is credited when there is certainty that Trust is legally entitled to the income and the amount can be quantified with reasonable accuracy. Gifts in Kind are recognised as income at their market value.

Fixed Assets

Fixed assets are stated at cost and are depreciated in equal annual instalments over their estimated useful lives as follows:-

Long leasehold premises	over the unexpired term of the lease
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.

Reserves

The charity 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 Trustees use a risk-based approach to assessing the level of reserves required, and based on the quantification of current risks intends to hold about £1.7 million (currently equivalent to 11 weeks of normal operating expenditure). The level of reserves required based on risk will be reviewed every 3 years.

Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed they have been allocated to activities according to the time staff spend engaged on each activity.

Cost of Generating Funds includes costs incurred in seeking voluntary donations, as well as those incurred in recruiting new financial supporters. It does not include the costs of disseminating information in support of the charitable activities.

Charitable Activity expenditure includes all direct costs incurred in pursuance of the Trust's objectives, as well as the costs of disseminating information in support of the charitable activities, allocated costs and Support costs. Allocated Costs are those of Capacity Building and Regional Networks which are directly working towards achieving the Charitable Activities' aims. Support costs comprise those services provided centrally which are identifiable in support of direct charitable purposes, including staff, IT, premises, facilities and other office costs.

Governance costs contains those costs which relate to the Trust's compliance with constitutional and statutory requirements and includes audit fees, costs incurred in preparation of the statutory accounts and a proportion of costs of the senior management team and their support staff incurred in reporting to Trustee meetings and generating the information required for public accountability. These costs include the strategic planning processes that contribute to future development of the charity.

FRIENDS OF THE EARTH TRUST LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010 (continued)

Operating Leases

Payments made under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Foreign Currencies

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

2. VOLUNTARY INCOME

	2010	2009
	£	£
Gifts & Donations	3,645,393	3,270,595
Legacies (a)	556,040	1,418,036
Membership subscriptions that are, in substance, donations rather than payments for goods	2,785,988	2,544,902
Donated services and goods (Gifts in Kind) (b)	32,742	62,939
	<u>7,020,163</u>	<u>7,296,472</u>
Grants		
Friends of the Earth Ltd Grant (c)	300,000	837,000
Restricted grants (d)	416,387	290,786
Unrestricted Grants	184,038	379,086
	<u>900,425</u>	<u>1,506,872</u>
Total	<u>7,920,588</u>	<u>8,803,344</u>

- a) Legacies with a probate value of £848,113 (2008/09: £856,599) have not been accounted for in the financial statements as no final notification of impending distribution had been received at 31st May 2010. Legacies of £64,832 received after the year end were included in the year's income as notification had been received before 31 May 2010.
- b) Over the course of the year, the advertising & marketing agencies Clemmow Hornby Inge (CHI) and Euro RSCG, gave free advice, design & creative assistance worth £20,000 (2008/09: 60,000). Eurostar donated rail tickets worth £9,371 which were mainly used for business travel to Europe (2008/09 £354). The other gifts in kind were free festival passes and concert tickets for staff and volunteers to attend events at which Friends of the Earth had a presence, free prizes to use in magazine competitions, and cider for the hospitality area at an event.
- c) A grant for £300,000 was received from Friends of the Earth Limited for their funding period 1 June 2009 - 31st May 2010 (2008/09 £837,000). The grant made was unrestricted and for the pursuance of Friends of the Earth Trust charitable objectives.
- d) Restricted grants received during the year included those from the Serve All-Trust (£150,000), the European Climate Foundation (£42,145), the Freshfield Foundation (£40,000) and the City Bridge Trust (£31,514) amongst others.

3. ACTIVITIES FOR GENERATING FUNDS

One fundraising benefit (Livestock) was held during the year which raised £47,797. Last year no events were held.

FRIENDS OF THE EARTH TRUST LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010 (continued)

4. ACTIVITIES IN FURTHERANCE OF CHARITABLE OBJECTS

Activities in furtherance of charitable activities includes rent from Friends of the Earth Limited of £49,211 (2009: £46,424) (see note 21).

5. OTHER INCOMING RESOURCES

Other incoming resources includes a transfer from restricted funds to unrestricted funds, this is to represent the transfer of a restricted balance on which there has been no expenditure.

6. ANALYSIS OF DIRECT CHARITABLE EXPENDITURE

	Grants Given £	Direct Costs £	Allocated Costs £	Support Costs £	Total 2010 £	Total 2009 £
Charitable Activities						
Safe Climate	58,010	2,529,855	962,862	476,695	4,027,422	4,412,569
Healthy Planet	17,548	881,706	338,030	167,352	1,404,636	1,970,146
Fair World, Smart Economy	21,971	671,943	256,195	126,837	1,076,946	1,361,500
	97,529	4,083,504	1,557,087	770,884	6,509,004	7,744,215

Grants given included support to Friends of the Earth Australia and Friends of the Earth sister organisations throughout Europe to work on Climate Change, Sobrevivencia (Friends of the Earth Paraguay) for research work on assessing the impact of soy on rural communities, and other community groups for environmental justice projects.

7. ANALYSIS OF SUPPORT COSTS

	Safe Climate £	Healthy Planet £	Fair World, Smart Economy £	Total 2010 £	Total 2009 £
Management	25,243	8,862	6,716	40,821	163,956
Finance	26,281	9,227	6,993	42,501	41,631
Information Technology	127,797	44,865	34,004	206,666	237,828
Human Resources	27,195	9,547	7,236	43,978	65,641
Central costs	256,964	90,212	68,372	415,548	484,434
Supporter Services	13,215	4,639	3,516	21,370	20,225
	476,695	167,352	126,837	770,884	1,013,715

Support Costs are allocated to Charitable Activities according to the time staff spent on those Activities during the year. Central costs apportioned above are property and office running costs.

FRIENDS OF THE EARTH TRUST LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010 (continued)

8. GOVERNANCE COSTS

	2010	2009
	£	£
Board Meetings, training and Trustees expenses (see note 11)	8,946	7,668
Audit Fee	8,500	8,200
Legal & Professional costs including Indemnity Insurance (see note 11)	1,606	6,198
Staff time allocated	62,929	54,695
	81,981	76,761

9. EMPLOYEES AND STAFF COSTS

	2010	2009
	£	£
Salaries	3,550,937	4,111,159
National Insurance	329,403	410,319
Pension	123,480	137,568
	4,003,820	4,659,046

The Trust operates a Group Personal Pension Plan for the benefit of its employees. This is administered separately from the Trust. In 2009/10 the Trust matched contributions made by employees up to 7% of their salary (7% 2008/09) and these costs are charged to the statement of financial activities as incurred. In addition to the above staff costs, the Trust incurred £924,475 (2008/09 £547,642) in engaging temporary agency staff, i.e. employed by third parties but seconded to Friends of the Earth for specific short-term work.

The average number of employees (full-time equivalent) during the year, analysed by function was:

	2010	2009
	No's	No's
Activities	72	85
Fundraising and Supporter recruitment	13	10
Support, management and administration	21	33
	106	128

There were no staff whose salary costs charged to Friends of the Earth Trust exceeded £60,000. All of the members of staff with emoluments in excess of £60,000 were jointly employed by Friends of the Earth Trust Ltd and Friends of the Earth Limited and their salary costs were split between them, according to time spent. The table below shows the range of emoluments for higher paid staff. Emoluments include gross pay, taxable benefits and benefits in kind.

	2010	2009
Number of employees who earned between £60,000 and £69,999	1	1
Number of employees who earned between £70,000 and £79,999	1	1

FRIENDS OF THE EARTH TRUST LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010 (continued)

10. ANALYSIS OF TOTAL RESOURCES EXPENDED

The surplus for the year is after charging:	2010	2009
Depreciation of fixed assets	121,200	130,320
Costs of restructuring (note 22)	370,748	0
Auditors - statutory audit	8,500	8,200
Irrecoverable VAT (see note 12)	106,068	126,339
Payments under operating leases (see note 13)	93,349	94,626
	<hr/> <hr/>	<hr/> <hr/>

11. TRUSTEES' REMUNERATION AND EXPENSES

Trustees are not allowed to be paid for their services nor may they be paid employees. Trustees were reimbursed £2,406 for travel and other expenses to attend meetings (2009: £3,560). No Trustees have any interests in the company.

During the year, the charity paid £1,241 (2009: £ 627) for Indemnity insurance on behalf of the Trustees.

12. CORPORATION TAX AND VAT

Friends of the Earth Trust is a registered charity and as such can claim exemption from corporation tax on its income and gains which are applied for charitable purposes under section 505, Income and Corporation Taxes Act 1988.

In common with most charities, Friends of the Earth Trust is unable to reclaim all of its input VAT. In the current year this amounted to £106,068 (2008/09: £126,339), which is 1.3% of our total expenditure.

13. OPERATING LEASES

The company leases property on short term leases. The rents paid on these leases, and a share of others, were £93,349 (2008/09: £94,626) and are subject to re-negotiation at various intervals specified in the leases. The minimum annual rentals under the leases are as follows:

	2010	2009
	£	£
Building operating leases annual	5,520	8,100
Building operating leases which expire within 5 years	11,500	11,500
Building operating leases which expire in more than 5 years	31,000	25,000
	<hr/> <hr/>	<hr/> <hr/>
	48,020	44,600

FRIENDS OF THE EARTH TRUST LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010 (continued)

14. FIXED ASSETS

	Long Leasehold Premises £	Fixtures and Fittings £	Office Furniture £	Computer & Office Equipment £	Computer Software £	Totals £
Balance at 1 June 2009	258,051	423,809	146,957	466,105	311,207	1,606,129
Additions	5,921	2,342	-	-	0	8,263
Balance at 31 May 2010	<u>263,972</u>	<u>426,151</u>	<u>146,957</u>	<u>466,105</u>	<u>311,207</u>	<u>1,614,392</u>
DEPRECIATION						
Balance at 1 June 2009	63,142	203,780	131,808	415,610	219,604	1,033,944
Charge for the year	9,676	41,182	2,857	31,558	35,927	121,200
Balance at 31 May 2010	<u>72,818</u>	<u>244,962</u>	<u>134,665</u>	<u>447,168</u>	<u>255,531</u>	<u>1,155,144</u>
NET BOOK VALUE						
At 31 May 2010	<u>191,154</u>	<u>181,189</u>	<u>12,292</u>	<u>18,937</u>	<u>55,676</u>	<u>459,248</u>
At 31 May 2009	<u>194,909</u>	<u>220,029</u>	<u>15,149</u>	<u>50,495</u>	<u>91,603</u>	<u>572,185</u>

15 DEBTORS	2010	2009
	£	£
Income tax recoverable through Gift Aid on donations received	92,029	182,274
Prepayments and accrued income	218,455	218,154
Other debtors	106,694	105,298
	<u>417,178</u>	<u>505,726</u>

16 CREDITORS - DUE WITHIN ONE YEAR	2010	2009
	£	£
Trade creditors	227,506	319,106
Accruals	50,760	77,541
Amount due to Friends of the Earth Limited	1,002,092	790,782
	<u>1,280,358</u>	<u>1,187,429</u>

FRIENDS OF THE EARTH TRUST LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010 (continued)

17 RESTRICTED FUNDS	Balance 1 June 2009	Movement in Resources Incoming Outgoing & Transfers		Balance 31 May 2010
	£	£	£	£
City Bridge Trust	2,235	33,748	(35,983)	-
Other restricted grants & donations	9,202	714,718	(721,179)	2,741
	<u>11,437</u>	<u>748,466</u>	<u>(757,162)</u>	<u>2,741</u>

The restricted funds were received for the following charitable activities:

Charitable Activities	2010 £	2009 £
Safe Climate	646,480	544,026
Healthy Planet	22,447	29,335
Fair World, Smart Economy	79,539	82,905
	<u>748,466</u>	<u>656,266</u>

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Tangible Fixed Assets	459,248	-	459,248
Net current assets	777,532	2,741	780,273
	<u>1,236,780</u>	<u>2,741</u>	<u>1,239,521</u>

19. 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 2010 the number of members was 14 (2008/09: 13)

20 RECONCILIATION OF MOVEMENTS IN RETAINED FUNDS

There are no changes for the current or previous year other than the retained surplus in the statement of financial activities.

FRIENDS OF THE EARTH TRUST LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2010 (continued)

21 RELATED PARTY TRANSACTIONS

- a) The relationship between Friends of the Earth Limited and Friends of the Earth Trust Limited is explained in the Trustees' Report on page 18.

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

	2010	2009
	£	£
Shared office services *	1,580,970	1,695,571
Salaries paid on behalf of Friends of the Earth Trust	4,003,820	4,325,658
Total expenditure incurred by Friends of the Earth Trust	5,584,790	6,021,229
Less rent charged by Friends of the Earth Trust	(49,211)	(46,424)
Cash transfers to Friends of the Earth Limited	(5,324,270)	(6,082,041)
Net transactions in the year	211,309	(107,237)
Amount owing to Friends of the Earth Limited at year end	1,002,092	790,782

* Shared office services include the costs of Finance, Human Resources, IT and office facilities support functions which the Trustees consider is a cost effective means of acquiring these services.

The decrease on last year reflects the lower expenditure, and use of shared resources, of the charity compared to last year.

An unrestricted grant of £300,000 was made by Friends of the Earth Limited for their funding period 1 June 2009 - 31st May 2010 to Friends of the Earth Trust (2008/09: £837,000). The grant was made for the pursuance of Friends of the Earth Trust charitable objectives.

22 RESTRUCTURING COSTS

During the summer of 2009 the organisation undertook a review of its structure in light of the current economic climate and an expected reduction of its income in 2009/10 and beyond. The Trustees approved the final restructuring plan in July 2009 following consultation with employees, and the restructure took effect over the next few months. Costs associated with the restructure allocated to Friends of the Earth Trust were:

Redundancy and Termination costs	212,770
Other costs	157,978
	370,748

