

**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 2007

Company Number 1533942

Registered Charity Number 281681



**FRIENDS OF THE EARTH TRUST LIMITED**  
**REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007**

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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)	U. Luhde (appointed January 2007)
R. Byrom	A. McMurray
P. Chapman-Pincher (appointed July 2006)	J. Mellor (appointed June 2005, retired July 2006)
D. Coleman	F. Pennycook (appointed October 2006)
S. Edwards (appointed October 2006)	V. Phillips (retired July 2006)
M. Hammond	A. Rae
M. Jacob (died October 2006)	S. Stanley (appointed July 2006)
J. Kenward	P. Whitney
A. Lockley	
Executive Director	A. Juniper
Company Secretary	S. Welsh

The day to day management is delegated to the Executive Director, the Organisational 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:  
Lawrence Graham  
190 Strand, London, WC2R 1JN.

# **FRIENDS OF THE EARTH TRUST LIMITED**

## **TRUSTEES' REPORT**

The Trustees present their report and financial statements for the year ended 31 May 2007.

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 practicable. 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 elections among 10 board regions by the local Friends of the Earth Limited groups in that region. 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 from among the supporters of Friends of the Earth through a variety of methods including advertisements in our supporter's magazine. A selection process is undertaken by the Governance Committee to select the most appropriate trustees from among those individuals who express interest in appointment to Friends of the Earth Trust. All trustees serve a three year term that can be renewed indefinitely.

All new Trustees receive a comprehensive induction including: 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 and the overall skills of the trustee body are monitored by the Governance Committee.

Both Boards meet on a Saturday four times a year. Their roles are to determine mission, policy and strategy; to monitor the organisation's performance; to appoint and manage the CEO and to manage the governance process.

Friends of the Earth Trust has four committees who also meet quarterly prior to the board meeting and scrutinise various elements of the organisation's work. These committees are: the Strategy and Performance Committee, the Activism Committee, the Resources Committee and the Governance 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 Organisational Management Team.

### **Risk Management Statement**

The Trustees have considered the major risks to which the charity is exposed and confirm that systems have been established to mitigate those risks. This review, carried out annually by the Trustees 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.

# FRIENDS OF THE EARTH TRUST LIMITED

## TRUSTEES' REPORT (continued)

### OBJECTIVES AND ACTIVITIES

Friends of the Earth Trust is committed to the conservation, protection and improvement of the environment. It promotes sustainable development for the public benefit by campaigning, undertaking research, education and publishing, and providing an information service on environmental problems and their solutions.

In 2002, the Board agreed a 5 Year Strategic Plan for the years from 2003 to 2008 which set out aims and objectives to be delivered over the life of the Plan. Each year an Annual Business Plan is prepared and approved by the Trustees which sets out to achieve milestones towards the 5 Year Plan.

We have four main Strategic Aims for this current five-year period:

1. Working with others to develop a sustainable economics model so that by 2008 there is a credible alternative, based on justice and environmental limits, to the prevailing corporate globalisation model.
2. Promoting environmental justice so that it moves to the centre of official, corporate and voluntary sector discussions and decisions and public understanding about environmental issues.
3. Ensuring that key environmental limits (e.g. in respect of resource consumption, greenhouse gas emissions and conservation of biodiversity) are reflected in policy and law at all levels.
4. Consistently communicate Friends of the Earth as the organisation striving for environmental justice that works through global to local people power, across all our external communications and in so doing achieve a significant increase in awareness, understanding and active participation from the public.

### ACHIEVEMENTS AND PERFORMANCE

Friends of the Earth Trust continues to make a difference to the way Government and the public view environmental issues, through carrying out in-depth research and publishing groundbreaking reports, as well as carrying out front-line education, providing information, campaigning and raising awareness amongst the general public. All the activities carried on during the year are focussed around the four main strategic aims described above:

#### **Aim 1: Sustainable Economics:**

Europe's most stringent Company Law came into play in November 2006. Seizing the opportunity to influence Government's reform of the law, we worked hard to influence this outcome and place Britain in a leadership role in monitoring the social and environmental impacts of companies.

Our desired goal was that company directors should take action to reduce their impacts and that communities affected by environmental damage would have a right of redress. Because of our work with Amnesty International and WWF (UK) – through the Corporate Responsibility Coalition (CORE) – and the Trade Justice Movement, we were able to secure strong reporting requirements.

**Impact:** UK businesses must now report on all adverse environmental impacts, including information about their supply chains.

In July 2006 we launched the Happy Planet Index with the New Economics Foundation. A new global measure of progress, it combines environmental impact with well-being to measure the environmental efficiency with which countries provide long and happy lives. The index reveals for the first time that happiness doesn't have to cost the Earth. It shows that people can be more than content without using more than their fair share of the Earth's resources.

## FRIENDS OF THE EARTH TRUST LIMITED

### TRUSTEES' REPORT (continued)

**Impact:** The new international ranking of the environmental impact and well-being of nations reveals a very different picture of global wealth and poverty to that promoted by self-appointed global leaders, the G8. For example, the UK is a disappointing 108th and the USA fares still worse at 150th on the Index.

The past year has seen our palm oil campaign go from strength to strength. In July 2006, our work was instrumental in convincing UK and Indonesian governments to stop the construction of a mega-palm oil plantation in Borneo. The proposed plantation would have destroyed an area of pristine forest larger than the size of Wales.

The campaign successfully convinced all major UK supermarkets to join the The Roundtable on Sustainable Palm Oil. The Roundtable is an association of business and non-government organisations that aims to create a market for palm oil from sustainable sources rather than virgin rainforest rich in biodiversity.

We also successfully persuaded RWE N-Power not to convert one of their power stations to palm oil – Littlebrook power station in Kent. If the scheme had gone ahead it could have potentially doubled the amount of palm oil imported into the UK.

**Impact:** The campaign has successfully helped to create an important market for sustainably sourced palm oil through supermarkets and reduced demand for other uses such as power. The campaign's global impact has been recognised by the Observer Food Monthly.

### Aim 2: Environmental Justice

Research has demonstrated that the poorest people in society are hit hardest by environmental pollution and degradation. We're working to prevent this injustice and help communities preserve their local environment by talking to them, acting for them, listening to them, and supporting them in their own campaigns.

The Friends of the Earth 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. Our team of lawyers has been helping people to understand how to use the law to protect their environment and rights. Cases include tackling the damaging effects of landfills, incinerators, polluting factories and housing developments. These are some examples:

- In November 2006, we helped a local group in Sunderland apply for an emergency injunction to stop one of only 13 community forests in the country from being felled.
- In summer 2007, we applied to the High Court for a judicial review on behalf of allotment holders in East London who are being evicted to make way for the 2012 Olympic Games.
- The Centre is also working with the Bangladesh Environment Law Alliance – part of the Friends of the Earth International Network – to explore litigation strategies concerning climate change impacts of UK companies and public institutions in Bangladesh.
- In January 2007, the Rights and Justice Centre set up the UK's first environmental legal advice line for individuals and communities who want to defend and improve their local environment, but don't know how. The free phone service has since helped more than 200 individuals and groups to understand their rights and take action.

The Centre is just one element of our ongoing work to tackle environmental justice. We launched a three-year project in 2006 to help communities in the North East understand and prevent the environmental injustices taking place in their area. This culminated in a Community Rights Day in July 2007, the first of its kind in the region to offer an introduction to planning policy and ways to get involved in community groups.

## FRIENDS OF THE EARTH TRUST LIMITED

### TRUSTEES' REPORT (continued)

We continue to support the Longsight Transport Project in Manchester and IMPACT in Teesside, which we helped to set up. Both are fast becoming independent projects. A monthly community radio programme deals with local transport issues in Longsight, while IMPACT's online forum is helping the community tackle the impacts of the chemicals industry on its doorstep.

It's not just local communities that are affected; we are working at a national level to protect the population's say in major new developments. If Government proposals in the Planning White Paper go ahead, members of the public could have little or no say in the creation of mega-supermarkets and expanding airport runways. The new system would allow projects of national importance to be approved centrally. We're working to convince Government to introduce a planning system which allows people to have a say in the decisions that affect them. Since January 2007, Friends of the Earth has led the Planning Disaster Coalition with the Campaign to Protect Rural England, The Civic Trust, The Ramblers Association, RSPB, Transport 2000, The Wildlife Trusts and the Woodland Trust.

**Impact:** Our work through the Rights and Justice Centre and our planning campaign has ensured that individual and community rights to a say in decisions that affect where they live are protected, further supporting our objective that environmental justice moves to the centre of public discussions and decisions.

### Aim 3: Environmental Limits

Throughout the year our campaign prioritisation has continued to focus on the major global limits – climate, biodiversity and resource consumption. In so doing we highlight the many benefits people get from the natural world.

Our **biodiversity** work is mainly being directed through Aim 1: Sustainable Economics with our work on reducing the demand for palm oil. The increase in palm oil plantations is driving further destruction of rainforests and the extinction of the orang-utan. Palm oil is used in 10 per cent of supermarket products (e.g. margarine, bread, lipstick, soap). It is also used in biodiesel which is being touted as one of the answers to climate change; as a result we are working, with others, to establish UK standards for biofuels.

**Impact:** Despite the work having just started, we have already helped people understand the connection between our consumption and environmental damage in other parts of the world.

### Climate Change:

*“My Government will publish a Bill on climate change as part of its policy to protect the environment.”*  
Elizabeth II, 15 November 2006

In November 2006, the Queen announced that the Government would introduce a Climate Change Bill. On 13 March 2007, a draft Climate Change Bill was published.

The Big Ask was a major catalyst for what is one of the greatest environmental successes in the UK to date.

The campaign was robust, multi-tiered and well-planned; a great example of the different ways that we work and the successes that we can achieve by combining these. We worked in coalition with other NGOs, developed award-winning ways to communicate, and commissioned expert research to show members of the public, politicians and businesses the way forward to a better world. Here are some highlights:

## FRIENDS OF THE EARTH TRUST LIMITED

### TRUSTEES' REPORT (continued)

In September we commissioned ground-breaking research from the respected Tyndall Centre for Climate Change Research at the University of Manchester into what the Government could do – and by when – to enable the UK to play its part in cutting carbon dioxide emissions. *The Future Starts Here: The Route to a Low Carbon Economy* demonstrated for the first time that the UK can achieve the necessary carbon reductions. The report meant we had information at our fingertips to help people understand that the solution is gradual cuts in emissions using different technologies, such as renewable energy.

These solutions need to be implemented at a regional level. We worked with our national network to help put in place strategies to enable authorities to act immediately once a Climate Change Law is passed. Our input into the Planning Policy on Climate Change influenced these Regional Spatial Strategies. We helped write the policy during a secondment to Government and ensured the inclusion of various policies, such as the requirement for renewable energy to be included in new developments.

We communicated with and recruited the support of people from all walks of life, including the Co-operative Bank's customer base of over 5 million people when The Big Ask was the bank's nominated campaign in 2006.

During this time, a joint online advertising campaign, Big Ask posters, leaflets and posting boxes positioned in 100 branches, and Big Ask branded mailings all contributed to the growing influence of the campaign.

We reached minority ethnic communities in Birmingham where the Local Group launched a multi-faith climate change project with the Birmingham Strategic Partnership in June 2006. The programme has since mobilised 16 Climate Ambassadors to lead action in their own communities and has been nominated as Best Engagement Project by the Environment Agency.

We spoke to the younger generation in autumn 2006, when Razorlight took the campaign on tour. Big Ask branded visuals shared the stage on 20 UK dates, while volunteers encouraged the audience to sign postcards.

The combined impact of growing support and increased awareness of Climate Change generated by our campaign, Al Gore's film *An Inconvenient Truth* and the G8 summit, we had an opportunity to get the Bill into the Queen's Speech a year earlier than anticipated. To do this, we needed to make sure every single MP was contacted by a member of their constituency, which required a level of sustained action beyond anything we'd done before. By November 2006 130,000 people had contacted their MP, two thirds of whom signed the Early Day Motion or equivalent in support of the Bill.

**Impact:** The Big Ask has so far achieved its end. It has not only won unprecedented public support but has also received the Chartered Institute of Public Relations 2007 Excellence Award for Public Affairs as well as the Clarion Climate Change Award in recognition of the innovative ways that we successfully communicated our key message.

A Climate Change Bill was announced much earlier than we had dared to hope. But we still have unfinished business – our campaign continues until a Climate Change Law is passed that sets tough targets, commits Government to annual reporting and includes emissions from aviation and shipping in its accounting.

## FRIENDS OF THE EARTH TRUST LIMITED

### TRUSTEES' REPORT (continued)

#### **Aim 4: External Communications:**

Climate change is creeping further up the media agenda. And we've responded to this with powerful ways of communicating with people in ways that they can understand. We've reached out to different generations, political and business leaders at home and abroad, face-to-face, online, in print and in film.

We've shifted the debate on climate change and achieved a step change in public awareness and participation. What we say counts: We came top of the PR Week monthly media league table three times in 2006, accumulating more than 3,000 mentions, and were in the top five for January and February 2007. Our website receives more than 200,000 unique visitors each month. A mini re-design in autumn 2006 has enhanced our online profile and a new online shop has generated thousands of orders since its launch in September 2006.

**Impact:** Our external communications work has helped, with other organisations, increase public awareness of climate change. (Independent Tracking Research, June 2007, sample size 1,200)

- in 2007, 83% of the public believe climate change is an important issue which affects us all (no previous data)
- in 2006, 51% of the public believed the environment was the most important issue facing us (2005: 40%, 2004: 36%)
- in 2007, 79% of the public believes that more needs to be done to find solutions for environmental problems (2006: 79%, 2005: 76%, 2004: 61%)

We've also gone back to school to speak to young people who will be the next generation to find solutions. Our third and most successful *Shout About Week* involved more than 1,900 schools and youth groups in November 2006. Thousands of 11-13 years olds masterminded their own climate change solutions.

An advertising campaign funded by the Department for the Environment, Food and Rural Affairs Climate Challenge Fund placed posters and table-top advertising in 38 universities during two four-week campaigns to communicate with nearly 900,000 students – tomorrow's decision makers. The campaign won Best Regional Press Silver Award from Creative Circle - one of the most prestigious accolades in the world of advertising.

**Impact:** Students at 38 universities, almost 2,000 schools and more than 1,700 teachers and youth group workers were involved in learning about climate change and working on innovative solutions.

#### **Other factors relevant to the achievement of objectives (Aims 1-4 above):**

Like many organisations, Friends of the Earth's ability to achieve our objectives is constrained by our ability to reach the people we need to talk to. Achieving sustainable development requires all sections of society to be engaged, yet we operate in a highly competitive world when it comes to getting and holding people's attention. We've successfully addressed this given our limited financial resources, but it remains a significant challenge, especially when communicating with hard-to-reach communities such as those suffering from multiple deprivations.

# **FRIENDS OF THE EARTH TRUST LIMITED**

## **TRUSTEES' REPORT (continued)**

### **Fundraising Performance**

During the five-year period of our Strategic Plan to 2008, we aimed to increase income by developing new income sources such as Legacies, Major Gifts and grants from Trusts, in addition to retaining and developing our current financial supporters. Since 2002 the Trust's total income has more than doubled from £2.6 to £6.1 million.

This year total incoming resources grew by 17 per cent on last year, helped by a 23 per cent increase in voluntary income from supporters and a 12 per cent increase in grants from trusts and statutory bodies, offsetting a 22 per cent fall in Legacy income which is an unpredictable income source. Individual supporters regular membership subscriptions and donations rose to £3.5m from £2.7m (58 per cent of voluntary income; 2005/06 57.5 per cent).

Every £1 raised cost just 8.3 pence. (2005/06 every £1 raised cost 7.8 pence). The costs of fundraising increased by 19 per cent to £510k (2005/06: £424k) to raise the additional £727k of voluntary income. This increase was due to investing in future income generation by recruiting new supporters.

In August 2007 Friends of the Earth joined the Fundraising Standards Board (FRSB) Scheme. The FRSB is the body for self-regulation of fundraising in the UK. As a FRSB member we agree to adhere to the highest standards of good practice with our fundraising and when dealing with enquiries about our fundraising.

### **FINANCIAL REVIEW**

We are pleased to report an increase of £1 million in total incoming resources for the year ended 31 May 2007. This was despite a drop in legacy income which decreased this year by £0.4 million. This source of income 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 82% of our total incoming resources, of which committed giving income (direct debit, Give As You Earn and other regular gifts) accounts for 54%. This regular, reliable source has increased from 49% last year, which allows us to plan with confidence.

The Trustees focus on raising funds from individuals because we consider that maintaining the Trust's financial independence ensures the integrity of its research and public information work. Charities 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.

Expenditure on charitable activities increased by 61% this year to £6.2 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 and staff costs are detailed in Note 9 to the accounts 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 50% as a result of the increase of staff and Board time consulting stakeholders and preparing for the next Strategic Plan 2008-13.

## **FRIENDS OF THE EARTH TRUST LIMITED**

### **TRUSTEES' REPORT (continued)**

#### **RESERVES**

Overall total resources expended were greater than total incoming resources by £297,204 and this has reduced our fund balances to £1,605,107 (of which unrestricted funds total £1,592,451). This represents less than 3 months of current normal operating expenditure.

The Trustees consider that holding, as reserves, 3-8 weeks of normal operating expenditure, is acceptable for a charity of this size and complexity, especially in view of the amount of committed income pledged to the Trust. In the next financial year, we anticipate a reduction of reserves, in order to continue to fund our strategy to recruit more individual supporters. The Trust's reserves policy is detailed in Note 1 to the accounts, and is currently under active review for the next 5 year period.

#### **INVESTMENT POLICY**

It is the policy of Friends of the Earth Trust not to hold any equity investments. 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 our work. We are currently implementing an environmental monitoring programme at our head office to help us reduce our impact further.

#### **PLANS FOR FUTURE PERIODS**

We are entering the final year of our current Strategic Plan. Integrated research, campaigning and raising awareness will be the focus of the coming year. The Big Ask will continue to campaign for a strong Climate Change Law that sets tough targets, commits Government to annual reporting and includes emissions from aviation and shipping in its accounting.

We are currently planning the focus of our next 5 Year Plan (2008-13). Our long term strategic goal is to deliver sustainable development which improves the quality of life of all people, promotes social justice and equity, respects environmental limits and maintains the ability of future generations to enjoy a similar quality of life. We are therefore planning to concentrate our campaign effort on the two overriding challenges we face - preventing climate change and protecting biodiversity and natural resources.

#### **TRUSTEES' RESPONSIBILITIES**

The Trustees are required by Company Law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Trustees 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.

## **FRIENDS OF THE EARTH TRUST LIMITED**

### **TRUSTEES' REPORT (continued)**

The Trustees 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.

The Trustees also confirm that they have made all necessary enquires and taken such steps that they ought to, to ensure that they become aware of any relevant audit information and that they confirm that the charitable company's auditors have been made aware of such information.

### **RELATED PARTY**

The work of Friends of the Earth Trust complements 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. In previous years Friends of the Earth Limited has made unrestricted grants to Friends of the Earth Trust, but none were made in this financial year.

Friends of the Earth Limited rents some of its office space from the Trust at a commercial rent agreed annually by the Trustees. 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 21 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 Trustees on 3 November 2007 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 2007 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. The Trustees are also Directors of Friends of the Earth Trust Limited for the purposes of Company Law.

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 Trustees' Report is not consistent with the financial statements, if the charitable 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 trustees' remuneration and transactions with the charitable company is not disclosed. We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

#### **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 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.

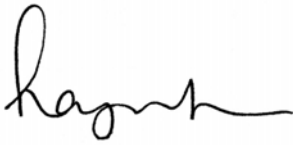
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company at 31 May 2007 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 the Companies Act 1985; and the information given in the Trustees' Report is consistent with the financial statements.



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

Date :

## FRIENDS OF THE EARTH TRUST LIMITED

### STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MAY 2007

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2007 £	Total Funds 2006 £
<b>INCOMING RESOURCES</b>					
Voluntary income	2	5,180,232	935,427	<b>6,115,659</b>	5,388,071
Activities for generating funds	3	-	-	-	56,668
Bank interest		111,802	-	<b>111,802</b>	18,255
Incoming Resources from Generated funds		5,292,034	935,427	<b>6,227,461</b>	5,462,994
Activities in furtherance of charities objects	4	95,408	-	<b>95,408</b>	100,322
Other incoming resources	5	198,170	-	<b>198,170</b>	2,699
<b>TOTAL INCOMING RESOURCES</b>		<b>5,585,612</b>	<b>935,427</b>	<b>6,521,039</b>	<b>5,566,015</b>
<b>RESOURCES EXPENDED</b>					
<b>Cost of generating Funds</b>					
Costs of generating voluntary income		478,132	-	<b>478,132</b>	414,597
Fundraising Trading		3,224	-	<b>3,224</b>	12,166
		481,356	-	<b>481,356</b>	426,763
<b>Charitable Activities</b>	6 , 7	5,331,574	940,352	<b>6,271,926</b>	3,877,159
Governance Costs	8	64,961	-	<b>64,961</b>	43,212
<b>TOTAL RESOURCES EXPENDED</b>	9-12	<b>5,877,891</b>	<b>940,352</b>	<b>6,818,243</b>	4,347,134
<b>NET (OUTGOING)/INCOMING RESOURCES FOR THE YEAR</b>		(292,279)	(4,925)	<b>(297,204)</b>	1,218,881
FUND BALANCES AT 1 JUNE 2006		1,884,730	17,581	1,902,311	683,430
<b>FUND BALANCES AT 31 MAY 2007</b>	18	<b>1,592,451</b>	<b>12,656</b>	<b>1,605,107</b>	<b>1,902,311</b>

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**

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2007**

	<b>Notes</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
<b>Net (outgoing)/incoming resources for the year</b>		(297,204)	1,218,881
Adjusted by:			
Interest receivable/(payable)		111,802	18,255
Depreciation charges		115,434	131,481
Loss on disposal of tangible fixed assets		-	567
(Increase) in debtors		(260,158)	(21,622)
Increase in creditors		981,093	313,392
<b>NET CASH INFLOW FROM ACTIVITIES</b>		650,968	1,660,955
<b>Returns on investments and servicing of finance</b>			
Interest received		(111,802)	(18,255)
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(111,802)	(18,255)
<b>Capital Expenditure</b>			
Payments to acquire fixed assets	14	(113,623)	(85,091)
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>		(113,623)	(85,091)
<b>INCREASE IN CASH</b>		425,543	1,557,609
<b>ANALYSIS OF CHANGES IN NET FUNDS</b>			
Balance as at 1 June 2006		1,566,338	8,730
Net cash inflow		425,543	1,557,609
Balance as at 31 May 2007		1,991,880	1,566,339

# FRIENDS OF THE EARTH TRUST LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007

### 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 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, but this is currently under active review for future 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 2007 (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

	2007	2006
	£	£
Gifts & Donations	2,093,796	1,751,328
Legacies (a)	1,389,412	1,789,817
Membership subscriptions that are, in substance, donations rather than payments for goods	1,457,524	992,729
Donated services and goods (Gifts in Kind) (b)	<u>423,470</u>	<u>60,000</u>
	<u>5,364,202</u>	<u>4,593,874</u>
<b>Grants</b>		
Friends of the Earth Ltd Grant (c)	-	500,000
Restricted grants (d)	691,727	276,656
Unrestricted Grants	<u>59,730</u>	<u>17,541</u>
	<u>751,457</u>	<u>794,197</u>
<b>Total</b>	<u><u>6,115,659</u></u>	<u><u>5,388,071</u></u>

a) Legacies with a probate value of £1,038,587 (2005/06: £1,249,511) have not been accounted for in the financial statements as no final notification of impending distribution had been received at 31st May 2007. Legacies of £292,106 received in June, July and August were included in the year's income as notification had been received before 31 May 2007.

b) Over the course of the year, the Co-operative Bank gave free advertising and promotion, worth £355,000, on the Big Ask, as part of their support of our campaign through their Customers Who Care programme. The advertising agency Clemmow Hornby Inge (CHI) gave free advice and design assistance to Friends of the Earth worth approximately £60,000. We are grateful to the Co-operative Bank and CHI as without their generosity we would not have been able to get our message so widely heard.

c) No grant was made by Friends of the Earth Limited for their funding period 1 June 2006 - 31st May 2007 (2005/06 £500,000). The grant made last year was for the pursuance of Friends of the Earth Trust charitable objectives.

d) Restricted grants received during the year included those from the Department of Environment Food & Rural Affairs, Northern Rock Foundation, the Co-operative Bank, The Ecology Trust, the February Foundation, and Esmée Fairbairn Foundation amongst others.

## FRIENDS OF THE EARTH TRUST LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007 (continued)

#### 3. ACTIVITIES FOR GENERATING FUNDS

During the year no fundraising benefits were held. Last year a benefit concert raised £56,668 for the Big Ask, our Climate Change campaign.

#### 4. ACTIVITIES IN FURTHERANCE OF CHARITABLE OBJECTS

Activities in furtherance of charitable activities includes rent from Friends of the Earth Limited of £86,954 (2006: £73,465) (see note 21).

#### 5. OTHER INCOMING RESOURCES

Other incoming resources are VAT repayments from HMRC totalling £198,170 as a result of the changes in tax rules relating to previous years.

#### 6. ANALYSIS OF DIRECT CHARITABLE EXPENDITURE

	Grants Given	Direct Costs	Other Allocated Costs	Support Costs	Total 2007	Total 2006
Charitable Activities	£	£	£	£	£	£
- Sustainable Economics	8,100	832,495	274,587	184,295	1,299,477	686,220
- Environmental Justice	32,807	543,267	152,207	102,157	830,438	1,015,598
- Environmental Limits	4,193	2,064,283	437,192	293,431	2,799,100	1,089,088
- External Communication	-	915,507	255,751	171,653	1,342,912	1,086,253
	45,100	4,355,552	1,119,737	751,537	6,271,926	3,877,159
	45,100	4,355,552	1,119,737	751,537	6,271,926	3,877,159

Grants Given included support to Friends of the Earth Australia, the Corporate Responsibility Coalition, the Longsight project in Manchester and other community groups.

#### 7. ANALYSIS OF SUPPORT COSTS :

					2007	2006
	Sustainable Economics	Environmental Justice	Environmental Limits	External Communications	£	£
Management	15,321	8,492	24,393	14,270	62,476	69,108
Finance	27,678	15,342	44,068	25,779	112,866	110,004
IT	27,126	15,037	43,190	25,266	110,619	164,826
Human Resources	21,297	11,805	33,908	19,836	86,845	32,999
Central costs	88,197	48,889	140,426	82,147	359,659	153,611
Supporter Services	4,677	2,592	7,446	4,356	19,071	24,891
	184,295	102,157	293,431	171,653	751,537	555,438
	184,295	102,157	293,431	171,653	751,537	555,438

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 2007 (continued)

#### 8. GOVERNANCE COSTS

	<b>2007</b>	<b>2006</b>
Board Meetings including Trustees expenses (see note 11)	3,946	6,454
Audit Fee	7,120	6,783
Staff time allocated	53,895	29,975
	64,961	43,212

#### 9. EMPLOYEES AND STAFF COSTS

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Salaries	2,705,523	1,800,431
National Insurance	271,619	203,795
Pension	94,144	65,809
	3,071,286	2,070,035

The Trust operates a Group Personal Pension Plan for the benefit of its employees. This is administered separately from the Trust. In 2006/07 the Trust matched contributions made by employees up to 6% of their salary and these costs are charged to the statement of financial activities as incurred.

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

	<b>No's</b>	<b>No's</b>
Activities	68	47
Fundraising and Supporter recruitment	6	6
Support, management and administration	25	15
	99	68
Number of employees who earned above £60,000	1	1

This individual was jointly employed by both Friends of the Earth Trust Ltd and Friends of the Earth Limited and the salary cost was split between them.

#### 10. ANALYSIS OF TOTAL RESOURCES EXPENDED

	<b>2007</b>	<b>2006</b>
The deficit for the year is after charging:		
Depreciation of fixed assets	115,434	131,293
Auditors - statutory audit	7,120	6,783
Payments under operating leases (see note 13)	22,500	22,500
	205,054	191,276

## FRIENDS OF THE EARTH TRUST LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007 (continued)

#### 11. TRUSTEES' REMUNERATION AND EXPENSES

Trustees are not allowed to be paid for their services nor may they be paid employees. Trustees were reimbursed £450 for travel expenses (2006: £1961). No Trustees have any interests in the company.

#### 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 £87,902 (2006: £78,125), which is 1% of our total expenditure.

#### 13. OPERATING LEASES

The company leases property on short term leases. The rents paid on these leases were £22,500 (2006: £22,500) and are subject to re-negotiation at various intervals specified in the leases. The minimum annual rentals under the leases are as follows:

	2007	2006
	£	£
Building operating leases which expire within 5 years	22,500	22,500

#### 14. FIXED ASSETS

	Long Leasehold Premises £	Fixtures & Fittings £	Office Furniture £	Computers & Office Equipment £	Computer Software £	Totals £
<b>COST</b>						
Balance at 1 June 2006	200,000	378,594	139,169	339,871	167,499	<b>1,225,133</b>
Additions	56,285	4,580	2,264	50,494	-	<b>113,623</b>
Disposals	-	-	-	-	-	-
<b>Balance at 31 May 2007</b>	<b>256,285</b>	<b>383,174</b>	<b>141,433</b>	<b>390,365</b>	<b>167,499</b>	<b>1,338,756</b>
<b>DEPRECIATION</b>						
Balance at 1 June 2006	36,066	84,911	111,225	308,218	103,390	<b>643,810</b>
Charge for the year	8,908	36,883	9,183	28,893	31,567	<b>115,434</b>
Disposals	-	-	-	-	-	-
<b>Balance at 31 May 2007</b>	<b>44,974</b>	<b>121,795</b>	<b>120,408</b>	<b>337,111</b>	<b>134,957</b>	<b>759,243</b>
<b>NET BOOK VALUE</b>						
<b>At 31 May 2007</b>	<b>211,311</b>	<b>261,379</b>	<b>21,025</b>	<b>53,254</b>	<b>32,542</b>	<b>579,513</b>
At 31 May 2006	163,934	293,683	27,944	31,653	64,109	581,323

## FRIENDS OF THE EARTH TRUST LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007 (continued)

	2007	2006
	£	£
<b>15 DEBTORS</b>		
Income tax recoverable on covenants and donations received	132,979	65,763
Prepayments and accrued income	348,048	216,060
Other debtors	136,104	75,150
	617,131	356,973

### 16 CREDITORS - DUE WITHIN ONE YEAR

Trade creditors	106,996	91,664
Accruals	90,704	26,714
Amount due to Friends of the Earth Limited	1,385,718	483,947
	1,583,418	602,325

### 17 RESTRICTED FUNDS

	Balance	Movement in Resources		Balance
	1 June 2006	Incoming	Outgoing	31 May 2007
	£	£	£	£
Department for Environment, Food & Rural Affairs	-	189,221	(185,767)	3,454
Other restricted grants & donations	17,581	746,206	(754,585)	9,202
	17,581	935,427	(940,352)	12,656

The restricted funds were received for the following charitable activities:

	2007	2006
	£	£
<b>Charitable Activities</b>		
- Sustainable Economics	26,497	34,437
- Environmental Justice	130,089	29,513
- Environmental Limits	749,266	501,420
- External Communication	10,000	51,747
- Support costs	19,575	-
	935,427	617,116

## FRIENDS OF THE EARTH TRUST LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007 (continued)

#### 18 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds	Restricted Funds	Total Funds
	£	£	£
Tangible Fixed Assets	579,513	-	<b>579,513</b>
Net current assets	1,012,938	12,656	<b>1,025,594</b>
	1,592,451	12,656	<b>1,605,107</b>

#### 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 2007 the number of members was 15 (2006: 15).

#### 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.

#### 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 9.

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

	2007	2006
	£	£
Shared office services *	1,039,687	463,771
Total expenditure incurred by Friends of the Earth Trust	1,039,687	463,771
Less rent charged by Friends of the Earth Trust	(86,954)	(73,465)
Net	952,733	390,306
Amount owing to Friends of the Earth Ltd at year end	1,385,718	483,947

\* 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 increase from last year is as a result of the increase in activities of Trust as its total expenditure has grown by 56%.

## **FRIENDS OF THE EARTH TRUST LIMITED**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2007 (continued)**

No Grant was made by Friends of the Earth Limited for their funding period 1 June 2006 - 31st May 2007 to Friends of the Earth Trust (2005/06: £500,000). The previous year's grant was unrestricted and made for the pursuance of Friends of the Earth Trust charitable objectives.

- b) During the year £2,291(2006: £3,786) was paid to solicitors Lawrence Graham for legal services. The Chair, M. Smyth, is also one of the partners of Lawrence Graham.