



Friends of the Earth Limited Report and Accounts for the year ended 30 June 2022

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Legal and administrative information

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

Company Registration Number: 01012357
Registered office: The Printworks, 1st Floor
139 Clapham Road, London
SW9 0HP
Country of incorporation: England and Wales

The Directors of the company are responsible for the governance, strategic direction and oversight of the management of Friends of the Earth. The Directors who held office during and shortly after the financial year were:

M Anyadike-Danes
F Butler (Chair)
J Collins
G K Malhi
E Neizert
D K Polley
A K Rashid (resigned 17 February 2022)
M J Wright

Co-Executive Directors: H Knowles & M Turner

Company Secretary: K A Bowden

The day-to-day management is delegated to the Co-Executive Directors (H Knowles and M Turner), the Senior Leadership Team (made up of employees selected for their expertise in the various activities of the organisation) and the company's other staff.

Principal advisers

Registered Auditors:
Crowe U.K. LLP
55 Ludgate Hill
London, EC4M 7JW

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

About Friends of the Earth

The natural world has experienced unprecedented disruption in recent years. And it is people as well as the environment that suffer as a result.

For over 50 years, we've been dedicated to the protection of the natural world and the wellbeing of everyone in it. Our international community brings together more than two million people in 73 countries, combining people power all over the world to make an even greater difference and transforming local actions into global impact.

We lead campaigns, provide resources and information and promote alternative solutions to create a cleaner, healthier and fairer world for everyone, for today and for generations to come.

In the UK, we've been responsible for making recycling not just a household word, but a household habit. We successfully campaigned for the world's first climate change law, the Climate Change Act 2008, which paved the way for similar legislation around the world. Our combined strength has meant we have been able to push back against drilling for fossil fuels, ensure legal protection from pesticides for bees, and most recently achieve a landmark victory against the government's Net Zero Strategy, demanding that it outlines how key emissions reduction targets will be met.

Working together with local groups, experts, business leaders and politicians we push for change around the issues and causes that matter to you – protecting your home and local environment, promoting safe and healthy food and water across the globe and supporting alternative energy solutions that can change the world for the better. Whether you are a first-time supporter or a seasoned campaigner, we're with you every step of the way, supporting communities, defending human rights, protecting nature, moving mountains.

Together with us your voice is louder, your actions more significant and your impact greater. Together with you, we are determined to change the world for good.

Chair's statement

Over the past year, the devastating climate change impacts experienced by communities all over the world as well as at home were accompanied by continuing inadequate action from governments.

As a global people-powered movement, Friends of the Earth exists as an agent for change. In England, Wales and Northern Ireland, the lifting of COVID-19 restrictions meant activists were able to reconnect in person, through Local Group networks and at our well-attended Groundswell events.

We balance our work in communities with expert and targeted campaign interventions, such as this year's important court wins.

Climate action requires climate justice and working in closer partnerships with rights and justice advocates, and through our Board and organisational commitment to anti-racism, we are shifting that imperative from ambition to practice.

During the year, the Board approved a revised strategy that is responsive to these external conditions. With climate inaction anxiety more prevalent, the Board is concerned to ensure that the wellbeing of our wonderful staff and volunteers and the dedicated people in our networks, especially our youth forums, is safeguarded. The Board continues to meet with our Union representatives and initiated a meeting with our People of Colour representatives. Following the positive findings from our external governance review, the Board has committed to a high-risk appetite, with appropriate due diligence, for the bold action that the climate and ecological emergency demands.

We give grateful thanks to our many funders, donors and individual givers who have continued to support us through COVID-19 and ongoing economic challenges.

Looking forward, we are supporting frontline communities to stop the irresponsibility of more fossil fuels while campaigning for a carbon transition that has climate justice at its heart and for the right to a healthy environment for all.



Frances Butler
Chair

Co-Executive Directors' statement

The challenging future we have all feared really landed this year. We faced the continuing impact of a global pandemic, a land war in Europe, staggering rises in energy costs and a growing cost of living crisis in the UK. Around the world we continued to see weather events that set new records and displaced millions of people – mostly those who have done the least to contribute to the climate crisis.

We write this not long after the UK broke its temperature record by over a degree in multiple places and during a drought which compounded difficult conditions for farmers, putting further pressure on food prices. We are preparing for a winter of discontent and suffering with a political environment that is at best self-involved and at worst dysfunctional. COP26, only ten months ago, seems like a distant memory.

Through all this Friends of the Earth Limited continued to fight and win for environmental justice. Some of these wins we outline below. At the heart of what we do is the belief that local organising can lead to national change, and we have demonstrated that again and again this year.

Our network continues to grow in strength. We ended the year with around 370 Local Groups and Climate Action Groups across England, Wales and Northern Ireland. Thanks to this incredible grassroots network, 85% of councils now have climate action plans in place, and we've produced over 40 council case studies highlighting best practice, from which we hope other local authorities will benefit.

Northern Ireland passed the historic Climate Change Act in May, and we secured another massive breakthrough that month when the Senedd voted for the public sector to divest from fossil fuels and decarbonise by 2030. Both are the culmination of years of pressure and partnership work from Friends of the Earth in Wales and Northern Ireland.

We are proud to have continued to develop our youth programme and create more pathways for youth-led climate action. The highest ever number of students, 57 in total, graduated from our My World My Home further education programme, which successfully supported several learning-disabled young people as well.

The UN climate talks in Glasgow (COP26) failed to deliver the leadership the world required but, with others, we worked to organise a huge civil society presence at COP. We launched a high-profile report revealing that fossil fuel companies planned to launch at least 40 new coal, oil and gas extraction projects in the UK by 2025. This, and our case against the funding of fossil fuel projects abroad, massively raised the profile of continued UK backed fossil fuel extraction and put significant pressure on the government.

This year we took the government to court over its Net Zero Strategy and Heat and Buildings Strategy. We won on grounds before the case was even heard. This was followed up in July 2022 by a landmark victory when the High Court ruled the Net Zero Strategy is unlawful, and ordered the government to outline exactly how its policies will achieve carbon emissions targets.

As ever we are very grateful to our supporters and donors, and to Friends of the Earth Charitable Trust, the People's Postcode Lottery and its players for continuing to fund and invest in our work.

The next year we will continue to ensure that fossil fuels have no place in our future, and that the decarbonisation of heat prioritises those in fuel poverty. We will collaborate with communities to highlight how we all benefit from thriving nature and how it is key to our future.

Hugh Knowles and Miriam Turner
Co-Executive Directors

Strategic report

Our mission and strategy

Our mission

Our mission is the protection of the natural world and the wellbeing of everyone in it. We believe in inspiring individuals to come together and create a better world today – one that is authentic, desirable and good for people and planet.

Our strategy

By 2030, we need to see a transformation in human society. The speed and robustness of action over the next decade will determine whether we avoid the worst impacts of the climate and ecological crises or end up with a severely degraded natural world and diminished capacity to support humanity. In this context, *what* Friends of the Earth exists to achieve hasn't changed but *how* we achieve it must.

At the heart of our work must be those suffering now due to climate and ecological breakdown, and those most at risk of not participating in, or benefiting from, the transition, both here and overseas.

We're committed to developing broader and more diverse networks, partnerships and feedback loops that enable us to listen to these voices, use their insights, and help build their power. What we learn from our evolved network will inform the development of our campaigns, locally, nationally, and globally.

We're committed to standing alongside those suffering today due to climate and ecological breakdown, those oppressed and those most at risk. In doing so, we demonstrate our resolve to build a more inclusive, diverse environmental movement with justice rightly at its core.

We want to build power, prevent a backlash and use our strengths to accelerate to the low-carbon, nature-positive transition that must take place. We want to ensure this transition works for everyone, and addresses and resolves inequalities and exclusion, even as it lays the path for a greener future.

This is an evolution of what we've always done, namely use our expertise and experience nationally and regionally to support the grassroots, and work together to campaign for change from local to national to global.

As our new strategy was developed in the first half of 2021, a key focus for us over the past year has been laying the groundwork for its successful implementation, and we're now in a good place to start delivering on the change we want to see.

Our achievements in 2021/22

At Friends of the Earth, we set clear annual objectives and key results (OKRs) as part of our business planning process. Progress against these OKRs is closely monitored throughout the year to ensure we are on track to maximise our impact and achieve our goals.

This year we concentrated our efforts on shifting our direction to align with our strategy refresh, building the power of our network to secure key environmental wins and laying the groundwork for impactful, justice-focused campaigns. Our organisational OKRs were to:

1. Build even more community power to win existing campaigns and inform new ones;
2. Move through COP26 to a new justice-focused campaign package;
3. Lay the groundwork for the worst affected and those at risk of not participating in or benefiting from the transition to inform our work;
4. Defend communities' rights to protect their environment and challenge environmental injustices, particularly for the worst affected;
5. Progress the implementation of our new Customer Relationship Management (CRM) system;
6. Have a resilient and robust funding model.

This year we also extended our monitoring and evaluation framework to include Key Performance Indicators (KPIs) that measure foundational organisational health in six key areas: supporters, income generation, financial position, people, operations and governance.

Without the incredible support of our community groups, activists, supporters and funders, as well as collaboration with the wider movement, our activities and achievements this year would not have been possible.

A summary of key achievements in 2021/22



40+ council case studies produced capturing best practice on climate action



High Court judge ruled against UK funding of the liquid natural gas project in Mozambique



Climate legislation introduced in Northern Ireland for the first time



New Income Generation Strategy developed to grow and diversify our fundraising



Strong organisational health across the majority of KPIs



40+ new and updated pieces of web and social media content on climate justice



Climate.Youth.Society youth campaigning mentoring programme launched



Civil society letter against the Policing Bill submitted alongside 350 other organisations



Partnerships built with underrepresented groups in the movement



New CRM system under development

We build even more community power to win existing campaigns and inform new ones (OKR1)

As the largest grassroots environmental campaigning organisation in the UK, our community network has always been at the heart of what we do. We believe in the power of local people to make change happen where it matters most to them. Our goal this year was to build power, both within our grassroots groups and our youth network, to lead and win campaigns.

Our groups have worked hard to hold local authorities to account, particularly on election pledges and councils' climate action plans. 85% of councils now have climate action plans in place, and we've produced over 40 council case studies displaying best practice, from which we hope other local authorities will benefit. We've also seen a major success story in Northern Ireland by securing the first ever climate legislation in the country. This commits Northern Ireland not only to net zero by 2050 but also to legally binding climate action plans and the appointment of a Climate Commissioner and Just Transition Commissioner.

We've continued to strengthen our groups' abilities to campaign, with over 50 training sessions delivered on a range of topics, from group development to anti-oppression. We've also trialled longer-term training courses comprising 4-8 sessions, and these have been received very positively by activists.

Despite the difficult context caused by the pandemic, we've established and developed pathways for youth-led climate action. The highest ever number of students, 57 in total, graduated from our My World My Home further education programme, which successfully supported a number of learning-disabled young people as well. We also launched our Climate.Youth.Society youth campaigning mentoring programme – while there were naturally some challenges in its fledgling year, we've taken the learnings onboard and have been able to continue the programme into a second year.

Recognising its invaluable expertise, we've made concerted efforts to ensure that our network is providing insight and leadership that shape our campaigns. This has included consultation seminars, surveys and lighter-touch feedback via events, and has influenced our work from COP26 to the development of our new home heating campaign. While delays to the development of our new campaign package (see OKR2) and new CRM system (see OKR5) have hampered this work somewhat, we've laid strong foundations to further progress this work in 2022/23.

We move through COP26 to a new justice-focused campaign package (OKR2)

With our strategy more firmly positioning us as an environmental justice organisation, it's vital that our new campaign package meets this ambition. We need a wide range of voices to solve global problems and achieve social and climate justice, and that means a more inclusive, diverse environmental movement. Our aim was to channel the momentum of COP26 into key climate wins and two new visionary, justice-focused campaigns.

As a key global focal point, we used the UN climate talks in Glasgow (COP26) to leverage pressure on the UK government's hypocrisy in supporting fossil fuel extraction at home and abroad. We focused on four cases in particular: the proposed new Whitehaven coalmine in Cumbria, the Horse Hill oil development in Surrey (where we are supporting the Weald Action Group), the Cambo oil field in the North Sea (in collaboration with Friends of the Earth Scotland) and the liquid natural gas project (LNG) in Mozambique (in collaboration with Justiça Ambiental, Friends of the Earth Mozambique).

Our activities ranged from legal cases and public inquiries to petitions and demonstrations. While we sadly lost our Horse Hill court appeal and are awaiting the outcome of the Whitehaven Public Inquiry, we secured an extraordinary split decision on our Judicial Review case against UK Export Finance's funding of the Mozambique LNG project. These cases highlight the vital importance of community opposition to these projects.

In the second half of the year, we took the government to court over its inadequate Net Zero Strategy and Heat and Buildings Strategy – we were delighted when, before our case was even heard, the government admitted to failing to consider the impact of the Heat and Buildings Strategy on protected groups and agreed to conduct an equality impact assessment. Because of our work in the year in July 2022 we secured a landmark victory when the High Court ruled the Net Zero Strategy is unlawful, and ordered the government to outline exactly how its policies will achieve carbon emissions targets.

We were also aiming to launch two new justice-focused campaigns, one around climate and one around nature. While both have been delayed, partly due to reprioritising our package in light of the energy crisis and partly due to capacity, the development of these new campaigns is well underway – a home heating campaign that aims to eradicate fuel poverty and slash emissions will launch in September, and a healthy environment campaign is now scheduled for spring 2023. We're working hard to ensure they're as inclusive as possible, seeking insights from people of colour and young people in particular, as well as a wide range of external allies.

We lay the groundwork for the worst affected and those at risk of not participating in or benefiting from the transition to inform our work (OKR3)

The climate and biodiversity crises don't impact us all equally – often those who've done the least to cause the problem are the most severely affected. And as we transition to a greener world, we need to make sure it's fair for all and that no one gets left behind. This year we worked towards becoming as open and inclusive as possible, establishing ways for the most marginalised to have their voices heard.

Our Youth & Families Team have invested considerably in making their programmes accessible to the most marginalised young people, with close to 100% of our My World My Home and Climate.Youth.Society graduates either racially minoritised, disabled or working class. We also ran a special educational needs or disability (SEND) pilot within our My World My Home programme and disability justice training for staff.

Building on our anti-racism training pilot last year, we've been developing the next phase of our anti-racism work with our community network. We've procured an external provider to run more training this autumn and have plans in place to update and expand our anti-racism resources. While we've made some progress, there's more work to be done on developing our next training package, establishing an anti-racism journey for our network and embedding anti-racism into our campaigns.

We've continued to build partnerships with underrepresented groups in the environmental movement, from Leicester's Race Equality Centre to the EcoSynagogue and the Stop Climate Chaos Cymru coalition in Wales. We collaborated with a number of trade unions via our Green Jobs Summit and ran partnerships workshops for our network at our annual activist events. We have plans in place to recruit a Partnerships Lead role to develop more collaborations and ensure they are truly embedded within our work.

As outlined in our strategy, we also wanted to firmly position ourselves as a community-centred environmental justice organisation via compelling, human storytelling. We made some headway on this, for example producing over 40 new and updated pieces on our website and social media channels highlighting the need for climate justice and telling stories of the people and communities most impacted. However, we are currently developing a new Brand and Audience Strategy and will be able to properly progress this work once this is in place.

Finally, we've been developing and testing approaches to working with communities beyond our existing network so that their insights inform our campaigns. We've used data mapping and analysis to identify communities most impacted and most at risk of not participating in, or benefitting from, the transition, but there is much more to be done to ensure this informs our day-to-day work. We're particularly focused on how we can draw on community insights when developing campaigns, while also ensuring that we're not being extractive, and this focus will continue into 2022/23.

We defend communities' rights to protect their environment and challenge environmental injustices, particularly for the worst affected (OKR4)

This year has seen numerous assaults on human rights, from injustices abroad to the Police, Crime, Sentencing and Courts Bill at home. We've always believed in standing up against environmental injustices throughout our grassroots and international networks. This year our goal was to continue and refine this vital work, with a particular focus on those most impacted by threats to their rights and freedoms.

Alongside our international sister organisations, we've delivered a wide range of impactful solidarity interventions to defend Environmental Human Rights Defenders, from protesting a lawsuit against indigenous river defenders in Malaysia to challenging Shell at its AGM. We've also trialled new ways for our grassroots network to support our international allies and have run sessions on the importance of solidarity.

While we fought strongly against the new Police, Crime, Sentencing and Courts Bill, for example by submitting a civil society statement along with 350 other organisations and supporting an extensive parliamentary lobbying programme, a significant number of anti-protest measures have been introduced that pose a serious threat to us and many other campaigning organisations. Furthermore, measures to criminalise trespass were also passed, a direct attack on the nomadic way of life of Gypsy, Roma and Traveller communities. We did however help prevent a significant reduction to the effectiveness of environmental judicial reviews, a legal recourse on which we frequently depend. We also co-authored and strengthened cross-sector demands for the Planning Bill to address climate, nature and community rights, with proposed changes ultimately dropped by the government.

We progress the implementation of our new CRM system (OKR5)

How we connect with our network, supporters and donors and how we use data across the organisation is of vital importance to our activities and aims. We therefore recognised the need for major investment in a new CRM system. While we knew the project would take longer than a year to complete, we wanted to make significant progress this year in accordance with agreed timescales and budget, and also ensure a high level of engagement and input from across the organisation.

Although there have been some delays and we've slightly exceeded our original budget, the project is largely on track and implementation is well underway, with Phase 1 (go-live for our Communities and Networks directorate) completed in July 2022. Phase 2 (go-live for the remainder of the organisation) is now targeted for January 2023 due to some capacity issues, both internally and at our supplier.

There has been a high level of engagement from stakeholders across the organisation, with numerous workshops held to identify business and process requirements for each team and ensure buy-in from colleagues. As we move into the next phase of implementation, we're excited to see the benefits of the new system rolled out across the whole organisation.

We have a resilient and robust funding model (OKR6)

As the COVID-19 pandemic progressed and the cost-of-living crisis emerged, we, like all of society, had to continually adapt to the uncertain and challenging economic context. Given this background, it's been more important than ever to ensure our fundraising is resilient and robust, to keep having impact and create security for the future. This year our focus was on income growth, investment and diversification.

While we fell just short of our stretch income target of £15 million, we comfortably exceeded our original budgeted income, with especially strong performance in our Individual Giving programme despite challenges recruiting in this area.

With our newer campaigns in development for a significant proportion of the year, it's been challenging for our teams to discuss longer-term funding opportunities with major donors and funders. We do, however, now have a refreshed campaign package and nevertheless introduced some exciting new initiatives, for example our first major donor roadshow and a number of multi-year funding bids.

In the latter half of the year, we developed a new Income Generation Strategy that outlines our vision for income growth and identifies the strategic actions needed to get there by June 2025. We were also successful in securing an investment of just under £500k from Friends of the Earth Charitable Trust into the organisation's fundraising programme, with a number of roles being recruited in Autumn 2022 to build capacity and expertise in key growth areas.

Lastly, we've experimented with a range of tactics to diversify our programme, from our social channels like YouTube and Facebook messenger to our website, from testing values-based messaging to launching a new Insight Bank via which we can better analyse learnings and increase our impact. While some areas have performed stronger than others, with cost per acquisition proving particularly challenging, our new Income Generation Strategy clearly outlines how we'll diversify over the next three years.

KPIs

This year we introduced a new way of evaluating our foundational, ongoing activities, without which we would not be able to function as an organisation, nor achieve our objectives. We developed benchmarks and baselines for a wide range of indicators and monitored our progress against them, to identify areas for improvement.

Supporters

Over the course of the year, supporter retention and satisfaction has been particularly strong. The number of people taking action with us has decreased this year, most likely due to fewer actions shared with our supporters while we develop new campaigns. This has also had a knock-on effect on supporter recruitment, with additional challenges caused by changes in data and privacy policies; however, as our new campaign package gets underway, we would expect to see an uptick in both these areas.

Income Generation

We've seen strong performance in most areas throughout the year, though have faced some challenges with new donor recruitment. We've also received less in legacy income than anticipated, although this income stream is difficult to predict, and one large legacy payment is now expected to be received in the 2022/23 financial year.

Financial position

This has been consistently positive, with slight overspend on salaries and operational costs. It should however be noted that we again took a cautious approach to budgeting this year given the economic context.

People

Staff turnover and satisfaction have largely performed well, especially in the final quarter. Absence rates increased in the second half of the year, at least in part due to the surge of a new COVID-19 variant, but began to decrease again in the final quarter. Absences related to stress and mental health, while a low proportion of absences overall and largely limited to a small minority of staff, did see an increase in Q3. This year we have introduced a Health and Wellbeing Policy as well as workplace Mental Health First Aiders – such absences decreased in Q4, and we hope to see this trend continue with the introduction of these measures.

Operations

Our operations indicators have been strong all year, with especially good results in the management of health and safety risks, major IT incidents and IT service level agreements.

Governance

Our governance has performed very well this year, particularly in relation to the effectiveness of our Board and Senior Leadership Team. Data governance has also performed well, with new GDPR training rolled out across the organisation over the summer period.

Although we have not yet had the capacity to use this KPI approach to improve our ability to accurately assess our external impact, this is a goal under our new business plan.

Financial performance

The ongoing pandemic and the economic uncertainty led us to adopt a cautious approach to budgeting in 2021/22. In the year income was £11.9m, a decrease of £2.6m on 2020/21. Income is sourced from our many donors and supporters. Most of the reduction in the year is due to a change in the funding mechanism from the People's Postcode Lottery (PPL), which meant we were no longer directly eligible for this funding. From 2021/22, this has been received by Friends of the Earth Charitable Trust. We are grateful for the continued support of our loyal donors.

Our annual grant from Friends of the Earth Charitable Trust was £10.5m, a decrease of £1.4m on 2020/21. The amount of grant applied for fluctuates depending on the cost of activities planned during the year.

Overall expenditure was £11.5m this year, a decrease of £1.5m on 2020/21. The main change was a reduction in a charitable donation linked to historic PPL income, which reduced to nil from £3.8m in previous year.

Friends of the Earth relies on the staff team to campaign, engage and empower our supporters and group network. Our largest cost is salaries at £7.9m, an apparent increase of £0.8m from last year. However in 2020/21 we took active measures to reduce costs by £0.7m due to the COVID-19 pandemic to counteract a potential fall in income, reducing costs to the organisation. This year we have increased staffing number in programmes and supporter recruitment, as we move back to a more normal post-COVID world.

Reserves

The Board's Reserves Policy recognises that it is prudent to hold sufficient reserves to meet our obligations and invest in the future, balanced with the expenditure required to maximise our impact. In May 2022, the Reserves Policy was reviewed in light of the need to invest in our strategic direction and in recognition of the inflationary period ahead affecting both income and expenditure.

The agreed Reserves Policy takes a risk-based approach, aiming to hold a General Fund (defined as total reserves less designated funds, which consider the probability and financial impact of identified risks in the organisational risk register) equating to between three and six months of expenditure. The organisation's policy is to not hold excessive reserves and aims for reserves to be liquid wherever possible.

Our expenditure in 2021/22 was £11.5m, resulting in a reserves range of £2.9m to £5.7m. At the end of the year organisational reserves were at £4.0m, approximately 4.3 months of reserves coverage. The Board is content that this is an appropriate level of reserves for the organisation to ensure future resilience.

Our plans for 2022/23 and 2023/24

We're now in the implementation phase of our new strategy. Key to delivering it will be listening to the voices of those in communities currently suffering due to climate and ecological breakdown, and those most at risk of not participating in, or benefiting from, the transformation that must happen. Those voices will not appear at the heart of our work overnight. We need to build partnerships that enable us to listen to those voices and add what we hear to the considerable expertise we have in the organisation and wider network.

With a growing network and our unique role of linking local organising to national influencing, we can't become the bottleneck that slows this movement down. To support thousands, we need to build the tools that will help people create the change they want to see. And for far too long, much of what Friends of the Earth does has been invisible. We also need to tell a powerful story about our role and ensure that thousands more want to act and support us.

Our plans span the next two years, recognising the need for long-term investments in our future and legacy. By June 2024, we aim to:

- design, build and win environmental justice campaigns through strong new partnerships
- support hundreds of thousands of citizens to stand up for their rights and the environment
- Inspire a million more people to hope and action via a powerful new story about people power and collective impact
- Be a fantastic place to work, where our culture, systems and ways of working enable all of us to make our best contribution.

Through our environmental justice campaigns, we will:

- win a solution to eradicate fuel poverty and slash emissions (by 2025)
- have significant impact in stopping the UK's support for fossil fuel extraction
- stand up for communities who have suffered most from nature loss
- galvanise civil society against the shrinking of civil society space, opposing and halting repressive legislation
- continue the momentum for local climate action, building the movement and making real world impact at the local, regional and national level.

We'll also continue to monitor foundational organisational health via our KPI framework. As we shape up more detailed plans for 2022/24 and invest further in monitoring, evaluation and learning, we'll explore other potential KPIs for our external impact.

Our focus in 2022/23 will be on launching our new home heating and nature campaigns, implementing our new CRM system for the whole organisation and navigating the ongoing cost-of-living and energy security crises. We'll also be investing in income generation and building our profile to ensure the organisation is financially sustainable.

Our people

Ways of working

As the coronavirus pandemic continued during 2021/22, we successfully adapted as an organisation, working differently to continue our impact despite the circumstances. Collaboration has been key to success; the pandemic has proven that staff can work remotely as long as we maintain connection. Some of the successes have been:

- Effectively worked remotely, which has led to a move to increased hybrid working - with a formal policy due to be adopted in December 2022. This has led the organisation to consider the need for physical office space. As leases end, we are reviewing property needs, which has already resulted in changes to the regional office provisions. Ultimately, this will lead to a reduction in the cost and size of the London office, freeing up our resources to invest elsewhere.
- Expanded the talent and experience of the staffing team by recruiting staff from across England, Wales and Northern Ireland (where we have previously been more London-centric)
- Ensured collaboration events take place at both the team and organisational level. This is vital to ensure connections and relationships are strong across the organisation.
- Ensured the continued commitment of our supporters and donors, for whose dedication we are extremely grateful.

Friends of the Earth Limited closed its COVID-19 working group in May 2022. This was a cross-departmental staff working group that provided advice and support to the organisation and Friends of the Earth network, to protect their physical and mental wellbeing.

Staff and volunteers

Friends of the Earth employs around 190 staff, with offices in London, Belfast, Cardiff, Birmingham, Leeds, Manchester, Bristol and Brighton. This year we moved into new, more flexible workspaces in Leeds, Cardiff, Brighton, Manchester and Bristol. Staff costs are detailed in Note 6 to the accounts. We're also indebted to the invaluable service of our volunteers who provide support to our staff body, for example in campaigns and fundraising.

The Board meets with representatives of the Union and our People of Colour network on an annual basis and receives regular updates on people matters such as turnover, learning and development and wellbeing.

Gender and ethnicity pay gaps

We have a structured pay scale within the organisation, with all roles allocated a score and band following a job grading process prior to recruitment. Upon recruitment, staff generally start at the mid-point of the band, unless they're viewed to be developing into the role based on their prior experience.

While there have been minor improvements in our median and mean gender pay gaps this year – except for the median gap for full-time staff which has seen an increase – it's disappointing to see that a gender pay gap still exists. According to the Office for National Statistics, the median national gender pay gap across all employees was 15.4% in April 2021. We are pleased but not complacent that our median pay gap is below this at 7.1% in favour of men, and for part time staff it was 0.88% in favour of women. The gap is due to regional salary difference as we expand our staffing team in regional locations other than London. In addition, staff turnover has shifted the composition of the staffing team, particularly at the junior and upper management level, as well as the split between full-time and part-time staff

For the first time this year, we're also reporting on our ethnicity pay gap. The most recently published survey from ONS in 2019 shows regional variations, largest at 23.8% in London and smallest in Wales at 1.4%. Our median ethnicity pay gap for all staff was 7.8% in favour of staff who identify as white, for full time staff the gap was 10.6% in favour and for part-time it was 0.8% in favour. This is caused by the distribution of staff across our salary bands, with the proportion of people of colour highest in more junior roles and lowest in more senior roles, as well as the split between full-time and part-time staff. We are aiming to improve diversity of recruitment in 2022/23 with an updated Recruitment Policy with a focus on equality, diversity and inclusion.

Our salary structure is due for review in 2023, and we hope that this process will result in decreased gender and ethnicity pay gaps.

Salary quartile

The proportion of people and ethnicity across the four salary quartiles is as follows:

| Quartile | Female | Male | White | POC |
|-----------------------|------------|------------|------------|------------|
| Lower Quartile | 78% | 22% | 75% | 25% |
| Lower Middle Quartile | 60% | 40% | 91% | 9% |
| Upper Middle Quartile | 60% | 40% | 84% | 16% |
| Upper Quartile | 55% | 45% | 91% | 9% |
| Total | 64% | 36% | 85% | 15% |

Friends of the Earth does not award bonuses.

Activists

We couldn't achieve what we do without the incredible dedication of our community group members and other activists across England, Wales and Northern Ireland. The Directors sincerely thank and pay tribute to the vital contribution they make; their time, passion and commitment is essential to achieving Friends of the Earth's mission and that of the wider movement.

Equality, diversity & inclusion

Friends of the Earth is fully committed to championing equality, diversity and inclusion (EDI) and to continuously learning how to increase the diversity of our people and network, including our Board, staff and volunteers, community activists and supporters.

This year we've hired a Diversity & Inclusion Manager, who has been developing an EDI action plan and delivering on a number of projects and resources, for example pronouns and microaggressions guidance. We've also established a wider range of EDI representatives among the staff body, including for people of colour, LGBTQI+ staff, women and non-binary staff, disabled staff and neurodiverse staff, as well as a specific EDI representative for the Union.

In collaboration with diversity and inclusion experts Full Colour, we're continuing to work towards becoming an actively anti-racist organisation – while this work did not progress as much as we'd hoped in 2021/22, we expect to make much more headway in the coming year with more capacity now in place. We've continued working with our network on anti-racism and are seeking to build partnerships with groups currently underrepresented in the movement.

Plans for 2022-2024 include:

- Further develop leadership and governance frameworks, including our Anti-Racism Steering Group and EDI staff forums
- Expand Culture and Learning offer, linking training and organisational awareness events to a cultural calendar
- Create an empowering and open community of allies and advocates
- Ensure we have supporting policies, procedures to embed EDI practice
- Ensure we have a supportive recruitment and retention practices to attract a wide range of diversity into the organisation, signing the "open to all" pledge

Our policies

Ethical policies and safeguarding

Friends of the Earth maintains a set of policies designed to ensure high ethical standards in all aspects of our operations. This year we've been working to implement the recommendations from our latest safeguarding review in April 2021, and have produced two detailed guides for staff on safeguarding in-person events as we emerge from the pandemic. We plan to increase safeguarding capacity in 2022/23 by introducing a designated post in this area. This year we've also reviewed our Party-Political Independence & Impartiality, Reserves, and Investment policies and have introduced a Health & Wellbeing Policy. Furthermore, we've tightened our internal controls based on the recommendations of last year's audit.

Environmental policies

Friends of the Earth is committed to practising what we preach. Alongside our Cycle to Work scheme, our Climate Perks policy provides staff with up to two days of paid annual leave per year if they opt for more carbon friendly travel options when on holiday. Other environmental policies include our Travel Policy, which encourages active travel and prohibits short haul flights unless the carbon emissions are demonstrably lower than other modes of transport, and our policy that our offices use 100% renewable energy. We have recently signed up to a salary sacrifice scheme, so that staff members can get legitimate taxation benefits on electric vehicles. Our Procurement Policy ensures we are using suppliers with high ethical and environmental impact standards.

Recently we have changed working practices due to the coronavirus pandemic. We are working in a hybrid style and ensuring virtual collaboration, which has reduced the need for physical office space. We have set up an Environmental Working Group so that we consider the wider aspects of our work.

Governance

Structure, governance and management

Friends of the Earth comprises two separate legal entities operating under a regulated dual structure arrangement. Friends of the Earth Limited, a not-for-profit company limited by guarantee, undertakes all campaigning and activism and is responsible for people, finance and operations. During the year, Friends of the Earth Limited applied for and received grants for its charitable activities from Friends of the Earth Charitable Trust, a registered charity with independent trustees. Friends of the Earth Charitable Trust raises charitable funds and provides grants to organisations for charitable activities that further its objectives, including Friends of the Earth Limited. The two entities share staff, certain resources and the brand, allowing both organisations to achieve their objectives in a cost-effective manner.

Directors are privileged to serve a company that is part of a local to global environmental movement and in particular value the historic and ongoing importance of our Local

Groups, as well as our more recent Climate Action Groups. The Board normally meets five times a year and has as its principal roles determining mission, values and strategy and scrutinising organisational performance, prudent finances and assessment of risk. The Chair of the Board is responsible for line managing the Co-Executive Directors.

Directors typically serve two three-year terms and during their tenure are also company members. Board recruitment is undertaken in accordance with the Articles of Association and the Board's Recruitment Policy. The Board's Code of Responsibility, Accountability and Conduct recognises the Board's accountability to our staff, groups, member supporters, financial supporters, activists and all other stakeholders of the company. The Board also engages with our local groups through events and the Chair's email account.

The Board seeks to ensure that the composition of the Board reflects the necessary skills and experience, national and regional residence and our commitment to increasing diversity at all levels of Friends of the Earth. Afsheen Rashid stepped down from the Board in February 2022 and the Board warmly thanks her for her service to the organisation.

This year we conducted an external governance review, while there were some areas for development to ensure we're aligned with evolving best practice, we received good feedback and assurance on the strength of our governance framework.

Risk management

As a campaigning organisation aiming to maximise our impact and take bold action on environmental justice, much of our work has inherent risks. Subject to appropriate due diligence, the Board has a very high-risk appetite for campaigning and activism that furthers Friends of the Earth's mission.

The Directors have considered the major risks to which the company is exposed and confirm that systems have been established to mitigate those risks, including an updated Risk Management Policy. This review, carried out by the Directors and senior staff, has identified that there are currently no significant risks that require urgent remedial action outside the company's normal systems and procedures. Directors consider risks and mitigating actions on a quarterly basis.

Key risks being monitored by Directors include:

| Risk Area | Mitigation |
|--|---|
| <p>We are currently facing high inflation due to an energy, fuel and food crisis which is resulting in higher prices, increased taxes and higher inflation rates. Currently, the economy is shrinking with concerns we are heading for recession.</p> <p>This affects both our income and expenditure, predominately salaries.</p> | <ul style="list-style-type: none"> • Supporters are engaged with our cause; we have had good retention from a diverse donor base. However, we are never complacent and continually monitor results of our fundraising campaigns. • We have a deficit budget in 2021/22, we are intent on spending reserves on strategic projects to move our organisational impact. This means we need to ensure costs are prioritised for maximum impact • We have three-year projections of income which we update on a quarterly basis. |
| <p>Safeguarding issues affecting our staff and group network.</p> | <ul style="list-style-type: none"> • We have had expert external reviews of policies and practices which have improved our policies and processes. • However, we are aware that there are significant mental health needs across our staff and group network. • We need sufficient staffing resources to ensure that DBS checks, risk assessments and policy reviews are completed and will be addressing that issue this financial year. |
| <p>We are currently in correspondence with HMRC regarding two matters related to VAT. The first matter has been resolved and discussions are ongoing in relation to the second. Directors are confident the chances of any material impact are remote.</p> | <ul style="list-style-type: none"> • Independent and specialist third party tax and legal advice forms the basis of the Directors' confidence that the risk of material impact is remote. • Our arrangements comply with applicable regulations and align with other campaigning organisations. |

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.


Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgments and accounting estimates that are reasonable and prudent.
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for ensuring that adequate accounting records are kept that are sufficient to show and explain the company's transactions and 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 2006. 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.

This report was approved by the Board and signed on its behalf.



Frances Butler
Director and Chair
28 March 2023

Independent Auditor's Report to the Members of Friends of the Earth Limited

Opinion

We have audited the financial statements of Friends of the Earth Limited for the year ended 30 June 2022, which comprise the Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of Friends of the Earth Limited's affairs as at 30 June 2022 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the directors' report, which includes the directors' report [and the strategic report] prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors

determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud, and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the company for fraud. The laws and regulations we considered in this context for the UK operations were: General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation, Taxation legislation, Employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management including estimates and judgements. Our audit procedures to respond to these risks included enquiries of management and the directors about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
28 March 2023

Statement of Comprehensive Income and Retained Earnings

| | | 2022 | 2021 |
|--|--------------|-------------------|-------------------|
| Income | Notes | £ | £ |
| Supporters' Contribution | 2 | 1,262,475 | 1,398,317 |
| Grants Received | 3 | 10,508,274 | 12,298,005 |
| Other | 4 | 173,079 | 824,143 |
| Total Income | | 11,943,828 | 14,520,465 |
| | | | |
| Expenditure | | | |
| Supporter Recruitment | | 792,883 | 680,203 |
| Campaigning & Activism | | 9,874,538 | 8,041,091 |
| Payments to charities / charitable companies | | 393,419 | 3,806,912 |
| Fundraising | | 346,167 | 389,824 |
| Management & administration | | 115,705 | 68,372 |
| Total expenditure | 5 | 11,522,712 | 12,986,402 |
| | | | |
| Net surplus for the year before tax | | 421,116 | 1,534,063 |
| | | | |
| Taxation charges | 14 | - | (5,006) |
| | | | |
| Net surplus for the year after tax | | 421,116 | 1,539,069 |
| | | | |
| Accumulated surplus at beginning of year | | 3,581,806 | 2,042,737 |
| | | | |
| Accumulated surplus at end of year | | 4,002,922 | 3,581,806 |

Balance Sheet

| | | 2022 | 2021 |
|---|--------------|--------------------|--------------------|
| | Notes | £ | £ |
| Tangible Fixed Assets | | | |
| Fixed Assets | 9 | 69,400 | 180,867 |
| | | 69,400 | 180,867 |
| Current Assets | | | |
| Debtors | 10 | 347,252 | 486,107 |
| Cash | | 5,510,472 | 4,017,504 |
| | | 5,857,724 | 4,503,611 |
| Creditors - due within one year | 11 | (1,924,202) | (1,100,296) |
| | | (1,924,202) | (1,100,296) |
| Net Current Assets | | 3,933,522 | 3,403,315 |
| Creditors - due after more than one year | 12 | - | (2,376) |
| Total Net Assets | | 4,002,922 | 3,581,806 |
| Reserves | | | |
| Accumulated reserves | | 4,002,922 | 3,581,806 |

Approved and authorised for issue by the Directors on 28 March 2023 and signed on behalf of the Board,

Frances Butler

F Butler
Director and Chair

Statement of Cash Flows

| | | 2022 | 2021 |
|---|--------------|------------------|------------------|
| | Notes | £ | £ |
| Cash inflow from operating activities | | 1,537,438 | 1,919,157 |
| Cash (outflows) from investing activities | | | |
| Dividends, interest and rents from investments | 5 | - | - |
| Purchase of property, plant and equipment | 9 | (44,470) | (16,103) |
| Fixed assets under construction | | - | - |
| Proceeds from sale of property, plant and equipment | | | |
| Purchase of investments | | | |
| Change in cash and cash equivalents | | 1,492,968 | 1,903,054 |
| Cash and cash equivalents at beginning of the year | | 4,017,504 | 2,114,450 |
| Cash and cash equivalents at end of the year | | 5,510,472 | 4,017,504 |

Note A: Reconciliation of net income to net cash flow from operating activities

| | 2022 | 2021 |
|--|------------------|------------------|
| | £ | £ |
| Net income for the year | 421,116 | 1,539,069 |
| <i>Adjustments for:</i> | | |
| Dividends, interest and rents from investments | - | - |
| Depreciation charges | 128,372 | 157,823 |
| Loss on disposal of fixed assets | 27,565 | |
| Decrease in debtors | 138,855 | 196,652 |
| Increase in creditors | 821,530 | 25,613 |
| Net cash generated from operations | 1,537,438 | 1,919,157 |

Statement of Cash Flows – cont.

Note B: Analysis of changes in net debt

| | As at 1 July 2021 | Cash flows | New lease and loans | Other non- cash changes | As at 30 June 2022 |
|----------------------------------|----------------------|------------------|------------------------------|----------------------------------|-----------------------|
| | £ | £ | £ | £ | £ |
| Cash and cash equivalents | | | | | |
| Cash | 4,017,504 | 1,492,968 | - | - | 5,510,472 |
| | 4,017,504 | 1,492,968 | - | - | 5,510,472 |
| Borrowings | | | | | |
| Loans due within a year | (5,000) | - | - | - | (5,000) |
| Finance Leases due within a year | (32,606) | 30,230 | | | (2,376) |
| Finance Leases due after a year | (2,376) | 2,376 | | | - |
| | (39,982) | 32,606 | - | - | (7,376) |
| Total | 3,977,522 | 1,525,574 | - | | 5,503,096 |

Notes to the Accounts

1. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with the Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Critical accounting judgements and estimates

In the application of the company's accounting policies, Directors are required to make judgements, estimates and assumptions that affect the carrying value of assets, liabilities that are not readily apparent from other sources. The estimates and the assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The items in the accounts that are considered to involve critical judgements and sources of uncertainty through estimation, when applying FOEL accounting policies include:

- Revenue recognition where judgement is required to appropriately apply the income accounting policies explained in accounting policy note below in relation to income from supporters and lottery income.
- Where a provision for disallowed expenditure under donor funding arrangements is judged to be appropriate.

Going concern

The Directors consider there are no material uncertainties about the company's ability to continue as a going concern. The review of our financial position, reserves levels and future plans gives Directors confidence that the company remains a going concern for the foreseeable future.

As part of our going concern review we have ensured we have a balanced budget for 2022/23 and longer-term projections. We are reviewing longer term financials in light of increasing external economic pressures to ensure the resilience of our organisation.

Income

Income arising from supporters' contributions and donations is accounted for as and when received. The applicable Legacy policy states income is credited when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Trading turnover consists of catalogue sales/commission and Local Group licences. Turnover represents amounts invoiced, excluding VAT.

Notes to the Accounts – cont.

1. Accounting policies – cont.

Supporting community activism

In order to improve our local impact, Friends of the Earth Limited provides small amounts of funding, c.£500, to support our grassroots network and work with young people.

Lottery income (relating to year 2020/2021)

The net income (ticket values less prize funds less management fees) that is remitted to the company is recognised as lottery income within the income and expenditure account. Friends of the Earth Limited has no ability to alter the price of tickets, determine the prize or reduce the management fees. As such, People’s Postcode Lottery is treated as acting as the principal. The analysis for People’s Postcode Lottery proceeds is shown in note 15.

Furlough income

Grant income relating to the government’s Coronavirus Job Retention Scheme is recognised under the accrual model in line with staff costs.

Fixed assets

Fixed assets are based on the substance of the asset rather than the value and stated at cost with a de-minimis limit of £100. They are depreciated in equal annual instalments over their estimated useful lives as follows:

| | |
|--------------------|---|
| Office furniture | 10 years |
| Computer equipment | 3 years |
| Office equipment | 4 to 7 years |
| Computer software | Individual purchases costing over £20,000 are depreciated over 4 years once the software is in use. |

Debtors

Short term debtors are measured at the transaction price, less any impairments.

Creditors

Short term creditors are measured at the transaction price.

Operating leases

Rental charges are charged on a straight-line basis over the life of the lease.

Notes to the Accounts – cont.

1. Accounting policies – cont.

Investments

Friends of the Earth Limited does not hold any equity investments. Any spare cash that we have available is held on deposit in banks that have an effective environmental policy, namely the Co-operative Bank and Triodos Bank.

Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors, are initially recognised at transaction value and subsequently measured at their settlement value.

Notes to the Accounts – cont.

2. Supporters' contributions

| | 2022 | 2021 |
|-------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Committed Giving | 912,148 | 1,042,058 |
| Legacies | 50,000 | 6,522 |
| Other supporter contributions | 300,327 | 349,737 |
| | <u>1,262,475</u> | <u>1,398,317</u> |

Other supporters' contributions include donations from businesses received in accordance with the organisation's corporate donations policy.

3. Grants received

| | 2022 | 2021 |
|--|--------------------------|--------------------------|
| | £ | £ |
| General grant from Friends of the Earth Charitable Trust | 9,643,436 | 11,313,860 |
| Restricted awards from Friends of the Earth Charitable Trust | 855,784 | 586,240 |
| Furlough Grant Income | 9,054 | 397,905 |
| | <u>10,508,274</u> | <u>12,298,005</u> |

Notes to the Accounts – cont.

4. Other income

| | 2022 | 2021 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| People's Postcode Lottery (note 15) | - | 748,274 |
| Advertising in supporter magazine | 37,284 | 10,670 |
| Bank interest | - | - |
| Miscellaneous | 135,795 | 65,199 |
| | 173,079 | 824,143 |

Miscellaneous income includes income from Friends of the Earth International under a staff hosting arrangement.

5. Operating expenditure

| | 2022 | 2021 |
|---|-------------|-------------|
| | £ | £ |
| The surplus for the year is after charging: | | |
| Staff costs (note 6) | 7,904,784 | 7,077,618 |
| Depreciation of fixed assets | 128,371 | 157,824 |
| Auditors - statutory audit (a) | 6,930 | 9,695 |
| Auditors - other (b) | - | 6,400 |
| Hire of equipment under operating leases (note 8) | 5,909 | 5,304 |
| Building lease rentals (note 8) | 8,435 | 10,357 |

6. Employee and staff costs

| | 2022 | 2021 |
|--------------------|------------------|------------------|
| | £ | £ |
| Salaries | 6,882,518 | 6,192,944 |
| National Insurance | 653,210 | 550,643 |
| Pension | 369,056 | 334,031 |
| | 7,904,784 | 7,077,618 |

Notes to the Accounts – cont.

6. Employee and staff costs – cont.

The average number of employees during the period was 190 (2020/21: 173), jointly employed with Friends of the Earth Charitable Trust. Friends of the Earth Charitable Trust reimburses Friends of the Earth Limited for the salary costs of those individuals undertaking fundraising activities for the Charitable Trust.

The average number of employees engaged in the company's work during the period, analysed by function was:

| | 2022 | 2021 |
|--|-------------|-------------|
| | No's | No's |
| Programmes | 113 | 106 |
| Fundraising and supporter recruitment | 40 | 30 |
| Support, management and administration | 37 | 37 |
| | 190 | 173 |

The company operates a Group Personal Pension Plan for the benefit of its employees. This is a defined contribution scheme and is administered separately from the company.

The company matches contributions made by employees up to 7% of their salary and these costs are charged to the income & expenditure account as incurred.

The total emoluments paid to the 9 (2020/21: 7) senior management staff were £530,959 (2020/21: £489,906). These staff included the 2 x Joint Co-Executive Directors, Director of Finance and Operations, Director of Fundraising, Director of Policy, Advocacy and Campaigns, Director of Communities and Networks, and the Director of Engagement.

7. Directors' remuneration

Friends of the Earth Limited paid £11,039 (2020/21: £10,770) to Frances Butler for her services during the year chairing the Board and line managing the Co-Executive Directors.

8. Operating leases

At the end of the year, Friends of the Earth Limited was committed to making future minimum operating lease payments, which fall due as follows:

Notes to the Accounts – cont.

8. Operating leases – cont.

| | 2022 | 2021 |
|---------------------|---------------|---------------|
| | £ | £ |
| Payments due: | | |
| Within 1 year | 10,407 | 36,209 |
| Within 2 to 5 years | 1,808 | 3,462 |
| Total | 12,215 | 39,671 |

9. Fixed assets

| | Office Furniture | Computer and Office Equipment | Computer Software | Total |
|-------------------------|-----------------------------|--|------------------------------|-----------------------|
| Cost | £ | £ | £ | £ |
| Balance at 1 July 2021 | 118,420 | 517,772 | 1,004,910 | 1,641,102 |
| Additions | - | 44,470 | - | 44,470 |
| Disposals | - | - | (46,990) | (46,990) |
| Balance at 30 June 2022 | <u>118,420</u> | <u>562,242</u> | <u>957,920</u> | <u>1,638,582</u> |
| Depreciation | | | | |
| Balance at 1 July 2021 | 109,411 | 459,843 | 890,981 | 1,460,235 |
| Charge in the period | 1,360 | 49,383 | 77,629 | 128,372 |
| Disposals | - | - | (19,425) | (19,425) |
| Balance at 30 June 2022 | <u>110,771</u> | <u>509,226</u> | <u>949,185</u> | <u>1,569,182</u> |
| Net Book Value | | | | |
| At 30 June 2022 | <u>7,649</u> | <u>53,016</u> | <u>8,735</u> | <u>69,400</u> |
| At 30 June 2021 | <u>9,009</u> | <u>57,929</u> | <u>113,929</u> | <u>180,867</u> |

There was a £39k reclassification between the opening balances from Computer and Office Equipment into Computer Software.

Notes to the Accounts – cont.

10. Debtors

| | 2022 | 2021 |
|--------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Trade debtors | 29,891 | 39,942 |
| Prepayments and accrued income | 285,606 | 200,373 |
| Other debtors | 31,755 | 245,792 |
| | <u>347,252</u> | <u>486,107</u> |

11. Creditors - amounts falling due within one year

| | 2022 | 2021 |
|---------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Trade creditors | 916,348 | 238,302 |
| Other taxes and social security | 202,139 | 163,043 |
| Accruals and deferred income | 576,375 | 433,331 |
| Finance lease obligations | 2,376 | 32,606 |
| Interest free loans | 5,000 | 5,000 |
| Other creditors | 216,964 | 223,014 |
| Corporation tax payable | 5,000 | 5,000 |
| | <u>1,924,202</u> | <u>1,100,296</u> |

12. Creditors - amounts falling due after more than one year

| | 2022 | 2021 |
|--------------------------|-------------|---------------------|
| | £ | £ |
| Finance lease obligation | - | 2,376 |
| | <u>-</u> | <u>2,376</u> |

Notes to the Accounts – cont.

13. 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 the end of the financial year, the number of members was 7 (2020/21: 7).

14. Corporation tax

Tax is not payable on grants and donations and therefore a substantial amount of the company income is not taxable. In the year ending 30 June 2022 a trading profit of £13,251 (2020/21 - £748,274) was made on which no corporation tax was payable after deductions available to the company. These deductions included payments to Friends of the Earth Scotland due under a memorandum of understanding and, in previous years, a qualifying charitable donation made to Friends of the Earth Charitable Trust. The reduction in trading profit was due to a change in receipt of People's Postcode Lottery funding, as set out in note 15 below.

15. People's Postcode Lottery

| | 2022 | 2021 |
|----------------|-----------------|-----------------------|
| | £ | £ |
| Ticket Value | - | 2,040,746 |
| Prize Fund | - | (816,298) |
| Management Fee | - | (476,174) |
| | <u>-</u> | <u>(748,274)</u> |
| | <u><u>-</u></u> | <u><u>748,274</u></u> |

Due to a change in the funding mechanism, People's Postcode Lottery funding is now being received by Friends of the Earth Charitable Trust.