

The Fairtrade Foundation



Annual Report and Financial Statements

for the year ended 31 December 2004

The Fairtrade Foundation

Legal and Administrative information

Legal status	A company without share capital limited by guarantee registered number 2733136	
Registered charity number	1043886	
Registered address	Room 204 16 Baldwin's Gardens London EC1N 7RJ	
Patron	George Alagiah	
Directors/Trustees	Katherine Astill (until 24 June 2004) Martin Drewry (until 24 June 2004) Jez Frampton (co-opted from 28 October.2004) Mike Gidney * Alastair Hanton OBE (Chair) (until 24 June 2004) * Cathy Keable Elliott (from 24 June 2004) Janice Langley ** Ed Mayo (from 24 June 2004) Adrian Stockman ACA (Honorary Treasurer) * Nabilai Suma (co-opted from 28 October 2004) John Whitaker (and Chair from 24 June 2004) *	
	* Member of Executive Committee ** Member of Certification Committee	
Senior Management	Harriet Lamb (Director) Ian Bretman (Deputy Director and Head of Commercial Relations) Barbara Crowther (Head of Communications) Ron Hinsley (Head of Certification) Martin Tyler (Head of Finance and Resources)	
Company Secretary	Philip Thompson (until 5 November 2004) Martin Tyler (from 5 November 2004)	
Bankers	CafCash Ltd Kings Hill West Malling Kent ME19 4TA	The Co-operative Bank King's Valley Yew Street Stockport Cheshire SK4 2JU
	Triodos Bank NV Brunel House 11 The Promenade Bristol BS8 3NN	HSBC 31 Holborn Circus London EC1N 2HR
Solicitors	Bates, Wells and Braithwaite Cheapside House 138 Cheapside London EC2V 6BB	
Auditors	Trustient Buckingham House East The Broadway Stanmore Middlesex HA7 4EB	

The Fairtrade Foundation

Report of the Trustees

For the year ended 31 December 2004

The Trustees, who are also directors of the charity for the purposes of the Companies Act, present their annual report and financial statements of The Fairtrade Foundation (the "charity") for the year ended 31 December 2004. The Legal and Administrative information on the facing page forms part of this Report.

The Objectives of the Charity

The Fairtrade Foundation is principally engaged in:

- Relieving poverty, suffering and distress in any part of the world.
- Promoting research into and education concerning the causes and effects of poverty, particularly in relation to the conduct of trade and to the conditions of employment (including self-employment) of poor people in any part of the world, and publishing the useful results of that research.

The primary means of furthering the charity's objectives is through licensing and promoting the FAIRTRADE Mark ('the Mark') as a certification that products meet international Fairtrade standards. These are designed to provide a better deal for disadvantaged and marginalised producers in developing countries. The standards that underpin the Mark are set by Fairtrade Labelling Organisations International (FLO), based in Bonn, Germany, of which the Fairtrade Foundation is a member. FLO has a subsidiary company, FLO Cert, also based in Bonn, which is responsible for certifying adherence to the standards by producers.

The Foundation also has an important role, in partnership with its members, licensees and other partners, in raising awareness of the Mark as an independent consumer guarantee, and a wider advocacy role in highlighting the injustices of much conventional trade and promoting more equitable and sustainable alternatives.

The Organisation of the Charity

The Foundation is a company limited by guarantee and a charity registered in England and Wales. It is governed by its Memorandum and Articles of Association as adopted on 2 July 1992 and amended on 25 January 1994 and 20 May 2003. The founder members of the Charity are CAFOD, Christian Aid, the National Federation of Women's Institutes, Oxfam, Traidcraft Exchange, and the World Development Movement. On 5 December 2003 Banana Link, Methodist Relief and Development Fund, Nicaragua Solidarity Campaign, People & Planet, Scottish Catholic International Aid Fund (SCIAF), and United Reformed Church were admitted to membership and on 24 June 2004 the Shared Interest Foundation was also admitted.

The Articles of Association provide for the founder members to elect up to four Trustees and up to a further four Trustees to be elected by the full membership. The Board then has the power to co-opt further Trustees, providing that the maximum number of Trustees does not exceed 10. One third of elected Trustees are required to stand down each year, and Trustees can serve for up to two three-year terms.

The Board meets five times a year to determine Foundation strategies and policies and to monitor progress against objectives. There are two sub committees of the Board – the Executive Committee, (formerly the Finance and Personnel Committee), consisting of three Board members and a specialist adviser on Personnel issues which meets up to five times a year, and a Certification Committee, consisting of one Board member and three external experts which meets four times a year. Minutes of both sub committees are reported to the full Board at the subsequent Board meeting.

Day-to-day operations of the charity are managed through a senior management team consisting of the Director, Deputy Director (with specific responsibility for Commercial Relations) and three team leaders with responsibility for Communications, Certification, and Finance and Resources.

Report of the Trustees

Review of the Year

2004 was the 10th anniversary of the launch of the first three products carrying the FAIRTRADE Mark in the UK. Ten years on, shoppers are choosing from hundreds of Fairtrade products in our shops, cafés, colleges and workplaces. The growth in Fairtrade is shown in just a few key statistics:

- Over £140 million spent on Fairtrade products in 2004 (up 51% on 2003)
- Over 800 products now available in shops, cafes and catering outlets
- 3 million Fairtrade hot drinks drunk each day
- 2 in 5 people now recognise the FAIRTRADE Mark

And while Fairtrade products were winning taste awards, the Fairtrade Foundation was named Charity of the Year 2004 at the prestigious annual Charity Times awards.

The growth in Fairtrade in the last year has also enabled the Foundation to achieve, for the first time in its history, a degree of financial security that is commensurate with its growth pattern and risk profile. This will enable the Foundation to fund its longer term plans to invest in the strengthening of the Fairtrade system, to grow the demand for, and range of, Fairtrade products and so bring the benefits of Fairtrade to an even wider number of disadvantaged producers.

Fairtrade on the Ground

Fairtrade standards for producers and traders mean that Fairtrade products come with the following guarantees of a better deal:

- Farmers' organisations get a fair and stable price for their products
- Extra income for farmers and plantation workers to improve their lives
- Greater respect for the environment
- A stronger position for small farmers in world markets
- A closer link between shoppers and producers

Fairtrade seeks to benefit the most disadvantaged producers in the world, and 2004 saw a dramatic expansion of opportunities for farmers in Africa in particular, with 93 producer groups in 20 countries now selling to the international Fairtrade market. Following the launch of grapes in 2003, South African Fairtrade producers celebrated 10 years of freedom from apartheid with avocados, plums, pears, apples, satsumas and the first wines to carry the FAIRTRADE Mark. In Malawi, Kasinthula Cane Growers invested their first Fairtrade premium payments in clean water supplies for three villages. Meanwhile, Fairtrade certification of Oserian Flower Farm in Kenya has generated a new agreement with the Kenyan Plantation and Agricultural Workers Union, and a new housing project for the workers is already underway. In 2004, the Fairtrade Foundation also launched a pilot project in Mozambique to help new producer groups enter the market.

For long standing partners such as Windward Islands banana farmers, Fairtrade continues to provide a vital lifeline in a hostile economic climate. The European Union plans to scrap the quota and tariff system that has guaranteed access for Caribbean producers, and replace it with a single tariff which could have devastating consequences for the islands. Meanwhile, in what Prime Minister Ralph Gonsalves of St Vincent and the Grenadines has dubbed 'an almost suicidal price war' between major retailers, the average price of loose bananas in our shops has fallen 33% since 2002. By selling to the Fairtrade market, farmers have some protection against the hardship caused by rock bottom prices. More importantly, the strengthening of farmers' organisations is a vital part of the Fairtrade vision – uniting producers' voices in the call for trade rules that support small-scale farming and environmentally sustainable production methods.

2004 ended tragically, when a devastating tsunami rocked coastal Asia. At the epicentre of the destruction in Aceh, Indonesia, the Gayo Organic Coffee Farmers Association (PPKGO) immediately made its coffee warehouse available as temporary shelter for homeless families. Many Fairtrade farmers lost family members, including children at school in Banda Aceh, and roads and coffee mills were destroyed. Fairtrade farmers in Indonesia, Sri Lanka and India will continue to be affected during 2005 by the overall economic impact of the disaster in their countries. Being able to sell their products under Fairtrade terms is all the more important to them in rebuilding their future.

Fairtrade at the Checkout

2004 witnessed dramatic growth in the range of products carrying the FAIRTRADE Mark. While Tesco launched an impressive own-label range, including the first Fairtrade roses from Kenya, the Co-op doubled its range. The market was ripe for the arrival of delicious avocados, apples, plums, pears, lemons, satsumas, clementines, raisins and nuts. For the first time sports fans could buy Fairtrade footballs, made in certified stitching factories in Sialkot, Pakistan. 146 different companies sold products carrying the FAIRTRADE Mark in 2004, many displaying impressive creativity in combining Fairtrade ingredients to create scrumptious cakes, biscuits, snacks, juices and even a coffee beer. Many won awards, including Thandi Fairtrade Chardonnay, just one of a fast expanding range of wines arriving from South Africa, as well as Chile. Fairtrade favourites also grew in popularity as we munched through half a million Fairtrade bananas a day. Fairtrade's share of the roast and ground coffee market rose to around 18%, according to Mintel. In total, we spent an estimated £140 million on Fairtrade products in 2004, up a staggering 51% on 2003.

Fairtrade on the Menu

In 2004, the Foundation stepped up efforts to get more Fairtrade products onto the menus of cafés, restaurants and workplace canteens, including launching a new catering directory and an Order UP postcard campaign. The hard work was repaid when two national chains of coffee shops announced they were switching to 100% Fairtrade coffee, both citing customer demand as a key factor in their decision. In September, Marks & Spencer introduced Fairtrade coffee in all 198 of its Café Revive outlets, equivalent to 20 million cups of coffee a year. "If you're going to do something, do it 100%", said AMT Coffee in October, when they also adopted Fairtrade coffee across their entire chain of outlets located in railway stations and airports. Meanwhile Oxfam joined with Fairtrade certified coffee producers in Ethiopia, Indonesia and Honduras to launch the new Progreso coffee chain in which producers have a say in how the business is run, and a share of profits.

The Youth Hostels Association announced that it was converting to Fairtrade tea and coffee in 200 youth hostels across the UK, and the Salvation Army introduced a Fairtrade policy for all of its centres. Fairtrade reached a range of exciting and unusual venues in 2004, including Glastonbury Festival, a swimming pool café in Cambridge, and the vending machines at Bristol Zoo Gardens, whilst Fairtrade Dubble bars got onboard GNER trains. Impressive campaigning by students, supported by Oxfam, People & Planet and the National Union of Students, has created a huge surge in demand from university and college catering departments.

Fairtrade Here to Stay

Recognition of the FAIRTRADE Mark rose dramatically in 2004 to 39% of British adults. Four in five Fairtrade shoppers told MORI pollsters that the independent guarantee that the FAIRTRADE Mark provides is important to them.

The burgeoning Fairtrade Towns campaign is attracting huge attention in council corridors, local news columns and MP's postbags. By the end of 2004, 77 towns, villages and cities had met five ambitious goals requiring them to adopt, promote and co-ordinate Fairtrade campaigns involving local authorities, community groups, campaigners and media. In 2004, ten cities put aside traditional rivalries to celebrate reaching Fairtrade status on the same day. Cardiff celebrated St David's Day by declaring itself a Fairtrade Capital City, immediately followed by Edinburgh.

The 10th birthday of the FAIRTRADE Mark added a special dimension to the annual Fairtrade Fortnight in March, when around 7,500 local events and tastings were staged (up 50% on 2003). Fairtrade farmer Nioka Abbott sent a birthday shipment of bananas from her farm in St Vincent to Southampton and Portsmouth, whilst cyclists from towns and cities across the UK converged for a party in Garstang, the world's first Fairtrade Town. Fairtrade producers from Belize, Ghana and Malawi toured the UK, visiting 10th birthday parties, Fairtrade Town declaration celebrations and local radio stations.

Report of the Trustees

Young people are among Fairtrade's most enthusiastic campaigners. Around 2,000 scouts and guides formed a giant mosaic of the FAIRTRADE Mark at their international camp in August in an aerial picture stunt. The Young Co-operatives, a Fairtrade enterprise scheme for school students, registered its 100th co-operative in just two years.

Fairtrade continued to hit the headlines during 2004, with well over 3,000 mentions in the media. Fairtrade Fortnight was declared Campaign of the Week by PR Week magazine.

Fairtrade Growing Across the Globe

Fairtrade Labelling Organisations International (FLO) unites 20 countries across Europe, North America, Japan and now Mexico, Australia and New Zealand. In 2004, global sales of Fairtrade labelled products grew in volume by approximately 50%, with the UK becoming the world's largest market. Worldwide the Fairtrade labelling network is working with 433 producer organisations, with benefits reaching an estimated 5 million people – farmers, workers and their families.

In 2004, sales across the 20 countries where Fairtrade labelling operates were estimated to reach US \$500 million, delivering \$50 million more to producers than they would have received on the conventional market. Fairtrade sales are showing remarkable growth in Italy, France, Ireland and the United States. In Switzerland, all bananas sold in the Co-op are Fairtrade.

Members of FLO work together to co-ordinate one worldwide set of standards for producers and traders, with over 40 trained inspectors based in developing countries. FLO-Cert co-ordinates the certification and inspection of producers, the registration of traders and audit of trade. Representatives of producers, traders and national Fairtrade initiatives participate in all the major decision-making groups. Meanwhile, producers have also developed regional networks dedicated to strengthening their knowledge, sharing experience and ensuring they contribute effectively to decisions affecting the future of Fairtrade globally.

Fairtrade Changing the Future of Trade

As well as direct benefits for farmers, workers and their families, Fairtrade also offers a new economic model for managing trading relationships in the interests of poor people and the environment. The Foundation remains a committed member of the Trade Justice Movement in calling for international trade rules that allow developing countries to protect key farming sectors, industries and public services from liberalisation, as well as an end to rich country tariffs and distorting subsidies that ruin the opportunities of farmers and workers in so many poor countries. 2005 could be a historic year for the world's poor, with the UK Government in a position to influence policy as host of both G8 and EU Presidencies. The Foundation has joined MAKEPOVERTYHISTORY, a coalition of over 230 organisations calling for trade justice as well as debt cancellation and better aid. While Fairtrade empowers producers to make poverty history in their own communities, we also seek to harness the power of the entire Fairtrade movement to change the injustice of current trade rules forever.

Financial Review

Incoming resources for the year of just over £2 million represent a 41% increase over the previous year. This significant growth was driven by the increase in licence fee income from £766,000 in 2003 to just under £1.4 million in 2004. This means that nearly 70% of the Foundation's income is now generated from its licensing operations. The introduction of many new Fairtrade products in 2004 including roses, wine and many fresh fruits has contributed to this increase, but there has been growth in licence income from all categories of Fairtrade products. The growth in the sales of Fairtrade products has enabled the Foundation to review its licence fee structure to ensure that the benefits of scale being obtained are shared with our licensees and thereby seeking to encourage further growth in the market place. Accordingly the Foundation has reduced its licence fee rate by 10% from April 2005 and also introduced lower marginal rates for licensees selling significant volumes of Fairtrade produce.

Grant income declined from £515,000 in 2003 to £413,000. This was partly due to the ending during the year of some grants, especially in relation to public awareness and education work, but also

reflects the challenge the Foundation has in developing and increasing its range of grant funders. The decline will reverse during 2005; in particular a new funding agreement has been reached with the UK Government's Department for International Development (DFID). This will provide £250,000 a year for three years until 2007 to contribute to the new product development programme, policy and research work, and to consider future funding options for the Foundation. However the Trustees have recognised that in the medium term there is a need to invest additional resources in developing grant income and this is reflected within the strategic plan and 2005 resource allocations.

Income from donations and similar sources rose from £82,000 to £134,000 – the main factor behind this increase was funds generated through a sponsorship with F&C Asset Management Limited who, to celebrate the 20th anniversary of the Stewardship Growth fund, the first retail ethical fund to be launched in the UK, gave half their initial fee from investments in their Stewardship funds over a three-month period. This initiative raised just over £40,000 and the Foundation is very grateful for the support of F&C.

Resources expended by the Foundation increased from £1.3 million to £1.6 million. Certification costs, including those paid to FLO to cover international work, rose broadly in line with the increase in licence fee income. This is because the Foundation's contribution to the work of FLO is based on the volume and value of Fairtrade sales in the UK. An increasing proportion of the expenditure of the organisation is allocated to developing the Fairtrade market by bringing new producers and businesses into the system – in 2004 this area increased from 24% to 26% of our expenditure and this increase is expected to continue during 2005 and 2006. This activity focuses on growing the market for Fairtrade right through from supporting producers overseas to come into the Fairtrade market, setting the standards and prices for new Fairtrade products, working with UK companies wishing to launch Fairtrade products and managing relationships with all our licensees and major retailers and other catering outlets in the UK.

Overall there was a surplus for the year of £426,000 resulting in reserves increasing to £732,000 at December 2004. £70,000 of the reserves are restricted where there are requirements of the donor that the monies can only be spent on specific activities and a further £87,000 of reserves are designated by the Trustees for specific purposes. The increase in unrestricted free reserves is slightly higher than planned for by the Trustees and is due to the difficulty in forecasting licence fee income in such a rapidly growing environment. The majority of the increase has been set aside to increase unrestricted reserves in line with reserves policy, as explained on page 7, and the remaining surplus will be used to fund the Foundation's strategic plan over the coming two years.

Plans for the Future

During the year the Foundation conducted a strategic review of its aims and objectives to help set the vision for Fairtrade in 2010 and to determine shorter term plans for 2005 and 2006. The review process included a stakeholder assembly in July attended by over 100 people representing licensees, retailers, NGOs, supporters and individuals to look at some of the key issues facing Fairtrade. From the assembly, detailed planning work was undertaken by the senior management team and the Board held an awayday in September to consider the implications of the discussions. In December 2004 the Trustees approved the aims and objectives for the Fairtrade Foundation for 2005 and 2006 within a longer term vision for Fairtrade.

This envisages that in the long term the Foundation will seek to take Fairtrade much wider so that a Fairtrade lifestyle can be offered to consumers, but that mainstreaming of Fairtrade must always be done without undermining the credibility of the system.

For 2005 and 2006 the plans envisage that the Foundation will:

- Continue to maintain the current momentum of growth in the sales of Fairtrade products and awareness of the FAIRTRADE Mark.
- Consolidate the opportunities that are currently available.
- Invest new resources in the strengthening of our systems both in the Foundation and internationally.
- Begin work to commence the widening of Fairtrade in 2006, if targets of our strengthening are being met.

Report of the Trustees

In setting these plans the Trustees emphasised that the Foundation will always seek to work in collaboration with others, including commercial partners, NGOs, the Trade Justice Movement, and through developing relations with key producer partners.

Investment Policy and Performance

The Memorandum of Association provides that the charity may invest money not immediately required as the Trustees think fit – subject to law. The Board's investment policy rules out speculative investment and requires that funds expected to be needed within a twelve-month period be held in cash or on deposit with immediate or short-term notice access. It allows funds likely to be held for longer to be placed in low-risk investments and requires that the charity is not exposed to unrecoverable taxation. The policy also requires that no investment shall be made which is likely to damage the charity's interests by offending the ethics of current and potential stakeholders. At present all funds are held in current or short term notice deposit accounts earning a market rate of interest and the Trustees believe this to be the appropriate way for the charity to hold these funds. In 2005 the Trustees are due to review this policy and, as the Foundation continues to grow, are likely to seek a more proactive investment policy whilst retaining the ethical and risk averse requirements.

Risk Management and Reserves Policy

A detailed review of the risks facing the Fairtrade Foundation is conducted twice a year by the Trustees and forms an integral part of the charity's day-to-day operations and strategic planning. The Trustees believe that a full spectrum of risks faced by the charity has been identified, quantified and, where appropriate, action taken on a continuing basis to mitigate those risks.

Internal risks are addressed by periodic reviews of internal controls and improvements in systems designed to minimise such risks. Examples include:

- Written procedures governing the delegation of authority to the Executive Director and to other staff.
- Formal limits of authorised expenditure for each staff member and the requirement for at least two signatories to approve transactions.
- Segregation of duties related to finance amongst members of staff, as far as possible.
- Membership of the Charity Finance Directors Group to ensure best practice is monitored.
- Regular reviews and reconciliations of the accounting records by senior staff.
- Responding to any control issues highlighted by our auditors.

A key component of the Trustees' strategy to mitigate risk is the policy of maintaining a level of unrestricted reserves which are adequate to provide financial support in the instance of an identified risk occurring. During the year the Trustees reviewed and updated the reserves policy in light of the financial risks that the Foundation is exposed to. Through a process of identifying each risk, the likelihood of a risk occurring, and assessing the potential financial impact, the Trustees are able to assess a level of reserves that is most appropriate for the organisation. On the basis of the review carried out in December 2004, the Trustees set a target range for undesignated reserves of between £280,000 and £420,000.

At 31 December 2004 the level of unrestricted reserves was above this target range and in light of this the Trustees have set a deficit budget for the 2005 financial year and expect to bring the level of reserves within the target range within the medium term. However, as a rapidly growing organisation working in a fast moving environment, the Trustees are very much aware that the risks facing the charity are not constant and that these, along with the appropriate level of reserves, need to be constantly monitored and adjusted when necessary.

Trustees' Responsibilities

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of its results 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.
- Comply with applicable accounting standards 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 charity will continue in business.

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial and otherwise. They are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees delegate to the Executive Director the day-to-day running of the Foundation, reserving to themselves the approval of budgets, staff salaries and major commitments such as leases on premises. Within the approved budgets, the Executive Director further delegates responsibility to identified budget holders for specific aspects of expenditure.

Acknowledgements

The Trustees wish to thank all the trusts, foundations and other bodies that provided grants and donations to the charity to further its aims. The principal funders are listed in Notes 3 and 4 to the accounts. We are also grateful to the many other donors, large and small, whose generosity and support have contributed to the effectiveness of the charity during the year. This includes over 100 volunteers who have given their time to help in the office in many ways, and the numerous supporters throughout the country who have organised promotional events and lobbied organisations of many kinds to adopt Fairtrade goods. The Trustees are immensely grateful for the time and support given to the Foundation by our Patron George Alagiah.

At the end of the year of the 10th anniversary of the FAIRTRADE Mark, the impact of Fairtrade, the level of sales and the range and variety of Fairtrade products are all beyond the expectations of 1994 when the Mark was launched. Yet the mission has only just started. The growth of the market is testament to the consumer demand for more products to be available under the guarantees of the Mark and the Foundation is working with an ever increasing number of companies wishing to be part of this movement. The Trustees' vision is for a Fairtrade lifestyle to be on offer by 2010 with a much wider range of Fairtrade products available – this may be ambitious, but the need for Fairtrade is as great as ever and our experience has taught us that we can deliver.

This report was approved by the Trustees on 26 May 2005 and signed on their behalf.

John Whitaker

Chair of the Board
The Fairtrade Foundation

26 May 2005

Independent Auditor's Report To The Members Of The Fairtrade Foundation

We have audited the financial statements of the Fairtrade Foundation for the year ended 31 December 2004 which comprise Statement of Financial Activities, (incorporating The Summary Income and Expenditure Account), the Balance Sheet, and related Notes. These financial statements have been prepared in accordance with Financial Reporting Standards for Small Entities (effective June 2002) under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charitable charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity'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 charity and its members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective Responsibilities of Trustees and Auditors

The Trustees' (who are also the directors of the Fairtrade Foundation for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and 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 and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", published in October 2000. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity 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 charity is not disclosed.

We read other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the Trustees in the preparation of financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable charity's affairs as at 31 December 2004 and of its incoming resources and applications of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Signed by:

Date: 26 May 2005

Trustient
Chartered Accountants & Registered Auditors
Buckingham House East
The Broadway
Stanmore
Middlesex
HA7 4EB

The Fairtrade Foundation

Statement of Financial Activities for the year to 31 December 2004 (including Income and Expenditure Account)

		2004			2003
	Notes	Unrestricted £	Restricted £	Total £	Total £
Incoming Resources					
<i>Donations and similar incoming resources</i>					
Donations and miscellaneous income	2	134,159	-	134,159	81,606
Grants for general charitable purposes	3	103,355	-	103,355	99,600
<i>Activities to further the charity's objects</i>					
Grants receivable	4	-	309,893	309,893	415,212
Licence and distributor fees	5	1,396,858	-	1,396,858	766,119
Sale of promotional items	6	54,884	-	54,884	48,327
Interest received	7	10,849	600	11,449	6,936
Total incoming resources		1,700,105	310,493	2,010,598	1,417,800
<i>Cost of generating funds</i>					
Fundraising	8	41,665	-	41,665	29,758
Total cost of generating funds		41,665	-	41,665	29,758
Net incoming resources available for charitable application		1,658,440	310,493	1,968,933	1,388,042
Charitable Expenditure					
<i>Costs of activities in pursuit of charitable objects</i>					
Certification, licensing and product development	9	583,687	233,182	816,869	617,227
Public education and awareness	10	529,698	108,950	638,648	565,418
Management and administration	11	86,926	-	86,926	51,262
Total charitable expenditure		1,200,311	342,132	1,542,443	1,233,907
Total resources expended		1,241,976	342,132	1,584,108	1,263,665
Net income / (expenditure)	13	458,129	(31,639)	426,490	154,135
Transfers between funds		(57,356)	57,356	-	-
Fund balances brought forward		261,535	43,850	305,385	151,250
Fund balances carried forward	18-21	662,308	69,567	731,875	305,385

There were no recognised gains or losses for 2004 or 2003 other than those included in the Statement of Financial Activities.

The Notes on pages 12 to 26 form part of these Financial Statements.

The Fairtrade Foundation

Balance Sheet as at 31 December 2004

	Notes	2004		2003	
		£	£	£	£
<i>Fixed Assets</i>					
Tangible assets	15		17,218		11,069
Current Assets					
Closing stock of promotional items		20,539		15,148	
Debtors	16	737,144		332,181	
Cash at bank and in hand		479,067		217,569	
		1,236,750		564,898	
Creditors					
Amounts falling due within one year	17	(522,093)		(270,582)	
Net Current Assets			714,657		294,316
Net Assets			731,875		305,385
Funds					
Restricted funds	18	69,567		43,850	
Total Restricted Funds			69,567		43,850
Unrestricted – designated	19	87,218		81,457	
Unrestricted	20	575,090		180,078	
Total Unrestricted Funds			662,308		261,535
Total Funds	21		731,875		305,385

Approved by the Board of Trustees on 26 May 2005 and signed on its behalf.

John Whitaker
Chair of the Board

26 May 2005

The Notes on pages 12 to 26 form part of these Financial Statements.

The Fairtrade Foundation

Notes to the Financial Statements

for the year to 31 December 2004

1 Accounting Policies

1.1 Basis of preparation of accounts

The accounts are prepared under the historical cost convention and include the results of the charity's operations which are described in the Trustees' Report and all of which are continuing.

The accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), the Companies Act 1985 and *Accounting and Reporting by Charities: Statement of Recommended Practice* issued in October 2000 (SORP 2000).

The charity has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cashflow statement.

1.2 Company status

The charity is a company limited by guarantee. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member.

The Charity is the UK member of Fairtrade Labelling Organisations International (FLO).

The members of the Charity and FLO are Related Parties in the terms of SORP 2000.

1.3 Fund accounting

Restricted funds arise from grants and donations given to the Foundation for specific areas and activities of the Foundation's work in furthering its objects and are complemented by further amounts transferred from the unrestricted funds of the Foundation. The aim and use of each material restricted fund is set out in the Notes to the Financial Statements.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the Notes to the Financial Statements.

Unrestricted funds provide the general funds of the Foundation and arise from surpluses of income over expenditure from funds granted or donated to the charity, which may be used at the discretion of the Trustees.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Assets are included where the cost price exceeds £250.

Depreciation is provided at rates between 25% and 33% calculated to write off the cost of fixed assets over their useful lives on a straight line basis starting in the year of acquisition.

1.5 Incoming resources

Income from donations and miscellaneous income is included when received or when invoiced, whichever is the earlier.

Grant income is accounted for on a receivable basis where the Foundation has an agreed grant contract with a donor once expenditure has been incurred. The exception is that where donors specify that grants must be used in future accounting periods then the income is deferred until those periods.

Income from the sale of promotional merchandise is included when received or when invoiced, whichever is the earlier.

Licence fee income is included in the period to which it relates – provided the amount is known with reasonable certainty and it is prudent to assume there will be no default.

Volunteers provide invaluable support to the Foundation. Volunteer supporters run local events to promote knowledge of the FAIRTRADE Mark in their communities. It is estimated that some 7,500 local events took place during Fairtrade Fortnight 2004. These events, and others throughout the year, depend heavily on the input of an unknown number of local volunteers.

Notes to the Financial Statements

In addition, over 100 volunteers helped in the Fairtrade office at some time during the year and provided an estimated 2,000 days of time to the organisation.

All this voluntary work is of great assistance to the Foundation, but, for accounting purposes, it is not valued within these financial statements.

1.6 Resources expended

All expenditure is included on an accruals basis. All costs have been attributed to one of the categories of resources expended in the Statement of Financial Activities (SOFA) and include a proportion of the support costs as detailed in Note 12. Support costs are apportioned on the basis of staff time spent on different activities and the demands each activity makes on central support resources.

Fundraising costs include all costs incurred in raising funds from, and reporting back to, government, European Commission, charitable trusts and foundations as well as other donors.

Costs of activities in pursuit of charitable objects include all costs incurred in seeking to achieve the charity's charitable purposes and incorporate the costs of administering the FAIRTRADE Mark.

Expenditure on the management and administration of the charity includes costs attributable to the management of the charity's assets, organisational administration and compliance with constitutional and statutory requirements.

1.7 Pensions

All permanent staff employed by the Foundation are eligible for membership of the defined contribution occupational pension scheme operated by the Pensions Trust. The scheme is contributory (staff paying 5% of salary and the Foundation 10% of salary (9% prior to April 2004)). Alternatively, the Foundation contributes 10% (9% prior to April 2004) of salary to approved pension schemes nominated by eligible staff provided the staff member contributes at least 5% of salary.

1.8 Value Added Tax

The charity is registered for VAT. In common with many other registered charities, the Fairtrade Foundation is unable to fully recover input VAT. During the accounting period, the total irrecoverable VAT suffered by the charity was £18,539 (2003 - £15,069).

This irrecoverable VAT is included in the appropriate categories of expenditure within the SOFA.

1.9 Taxation

The charitable company is exempt from corporation tax on its charitable activities.

1.10 Stocks

Stock of merchandise is included in the accounts at the lower of cost and net realisable value.

2 Sponsorship, Donations and Miscellaneous Income

	2004	2003
	£	£
Sponsorship	41,289	-
Donations and miscellaneous income	92,870	81,606
Total	134,159	81,606

3 Grants Receivable**3.1 Unrestricted member grants**

	2004	2003
	£	£
Oxfam	48,000	48,000
Christian Aid	20,000	20,000
CAFOD	20,000	20,000
SCIAF	2,500	-
Total	<u>90,500</u>	<u>88,000</u>

Members are not required to make grants but normally when they do they are for unrestricted funding. In addition members may make additional grants for specific purposes which are accounted for under restricted funds.

3.2 Other unrestricted grants

	2004	2003
	£	£
The Ajahma Charitable Trust	10,000	-
Stephen Clarke 1965 Charitable Trust	1,000	-
The Rowan Trust	-	5,000
Miss KM Harbinson's Charitable Trust	-	2,000
The Beatrice Laing Trust	-	1,500
C B & H H 1984 Taylor Trust	-	1,000
Other grants under £1,000	1,855	2,100
Total	<u>12,855</u>	<u>11,600</u>
Total unrestricted	<u><u>103,355</u></u>	<u><u>99,600</u></u>

Notes to the Financial Statements

4 Restricted Grants

	2004		2003	
	£	£	£	£
Public Education and Awareness Projects				
<i>General Media and Profile Work</i>				
Allan & Nesta Ferguson Charitable Trust		-		45,000
<i>Fairtrade and Women: - Making the Link</i>				
Community Fund		-		41,794
<i>Fairtrade Towns and Churches programme</i>				
DFID	23,689		23,464	
Methodist Development and Relief Fund	6,300		-	
Others (under £1,000)	250	30,239	600	24,064
<i>Fairtrade Fortnight</i>				
CAFOD	8,000		10,000	
The Rowan Charitable Trust	5,000		-	
Methodist Relief and Development Fund	5,000		5,000	
Network for Social Change	2,410		-	
Miss K M Harbinson's Charitable Trust	1,000		2,500	
United Reformed Church	4,000		2,000	
W F Southall Trust	-		1,500	
Others (under £1,000)	1,000	26,410	500	21,500
<i>Fairtrade: Promoting a Better Deal for Third World Producers</i>				
European Union		-		11,000
<i>Trade Justice Movement Support Project</i>				
CAFOD	5,000		5,000	
Christian Aid	5,000	10,000	5,000	10,000
<i>Other awareness grants</i>		500		1,400
Total Public Awareness and Education		67,149		154,758

4 Restricted Grants - continued**Business and Product Development***Enlarging the Fairtrade Product Range*

DFID	84,779		139,245	
Comic Relief	86,116		49,060	
The J.G. Joffe Charitable Trust	10,000		-	
Scott Bader Commonwealth Ltd	5,000		-	
The Hilden Charitable Fund	5,000		-	
The William A Cadbury Charitable Trust	2,000		-	
Morel Trust	2,000		2,000	
Others (under £1,000)	250	195,145	-	190,305

Out of Home Project

DFID	22,487			
The Jane Hodge Foundation	2,000			
Mrs FB Laurence Charitable Trust	1,000			
The SMB Charitable Trust	1,000			
Others (under £1,000)	500	26,987		500

Producer Support

DFID Regionalisation project (East Africa)	20,612		44,154	
FLO Forum (see Note 4.2)	-		25,390	
TCGA Support	-		105	
		20,612		69,649

Total Business and Product Development		242,744		260,454
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Total Restricted Grants		309,893		415,212
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4.1 Explanatory Notes

The purpose of each of the funds is explained below in Note 18.

4.2 FLO Forum

The FLO Forum is an international event held every three years bringing together representatives of all the National Initiatives (NIs) with Fairtrade producers and traders from around the world. As the host NI for the 2003 Forum the Fairtrade Foundation raised £25,390 of funds towards the event and this income and associated expenditure is contained in the comparative year figures. In addition the Foundation handled further expenditure of £66,375 for the event on behalf of FLO who provided the financing. As the Foundation was merely acting as agent on behalf of FLO in making this further expenditure the expenditure and the funding provided by FLO is not included within the comparative year figures.

Notes to the Financial Statements

5 Licence and Distributor Fees

Licence fees for use of the Foundation's FAIRTRADE Mark are payable by companies marketing products carrying the Mark. This is the independent consumer guarantee of a better deal for Third World producers. The fees cover the costs of monitoring and audit to ensure compliance with Fairtrade standards and contribute to the costs of public education and awareness raising work. Monitoring and audit of UK licensees is undertaken directly by the Foundation, while producer certification is the responsibility of FLO International, who receive a proportion of the Foundation's licence fee income to pay for this activity. The increase of 82% in licence fee income reflects the continuing growing sales of Fairtrade products in all categories and the increasing range of products carrying the FAIRTRADE Mark.

Distributor fees are payable by companies who distribute products carrying the FAIRTRADE mark within the service sector. The fees were introduced during 2004 and for the initial payments cover the period to December 2005. Therefore of the total fees of £10,400 received by December 2004 £6,930 has been treated as income received in advance.

6 Sale of Promotional Items

To help promote Fairtrade, the Foundation makes a range of items available for sale to supporters. All display the FAIRTRADE Mark prominently and help promote the Fairtrade message at supporter events around the country. As their sale contributes directly to the promotion of the Fairtrade message it is judged that the activity qualifies as primary purpose trading. These promotional items are sold on to supporters to cover the costs of production, processing and a contribution to overheads. The activity is seen not so much as a device to raise funds but rather to raise profile and awareness whilst covering costs. For this reason the cost of these items is included in the SOFA but as part of charitable expenditure to promote public awareness.

7 Interest Received

This is interest receivable on cash deposits. £600 (2003 - £947) is attributable to restricted funds held pending disbursement. (See Note 18 for the allocation to individual funds). The Foundation holds no other investments.

8 Costs of Generating Funds

Covers the cost of staff taking part in fundraising through contacts with potential grantmaking bodies including Government Departments, the European Commission, and charitable trusts and foundations. No fundraising events or other fundraising activities have been organised during the period. A proportion of office services and occupancy costs is allocated to the activity. No fundraising consultants or firms were used during the period.

	2004	2003
	£	£
Staff costs	23,959	17,270
Direct costs	806	842
Allocation of support costs	16,900	11,646
Total	<u>41,665</u>	<u>29,758</u>

9 Certification, Licensing and Product Development Costs

This category includes the costs of :

- Certification costs including the monitoring and audit of supply chains, both in the UK and internationally, of products licensed to carry the Mark, including fees payable to FLO-Cert.
- Establishing and maintaining licence agreements and relationships with companies producing and distributing Fairtrade products and major retailers.
- Fees paid to FLO eV for its functions in setting the international framework and co-ordination of Fairtrade including the setting and development of Fairtrade standards, supporting producers and traders to match supply and demand, and supporting smallholders and workers participating in Fairtrade
- Developing new products, including the establishment of supply chains and assisting new producers to enter Fairtrade.
- Direct producer support costs

	2004	2003
	£	£
Direct Costs		
International fees paid to FLO eV	269,278	145,655
International monitoring fees paid to FLO-Cert	63,164	71,741
UK monitoring fees*	18,437	11,493
Other direct costs of monitoring	2,735	1,708
New product development	88,785	106,136
Licensing and marketing costs	31,820	6,748
Producer support	19,309	47,844
FLO Forum (see Note 4.2)	-	25,390
Total Direct Costs	493,528	416,715
Indirect Costs		
Staff costs	203,833	138,161
Allocation of support costs	<u>119,508</u>	<u>62,351</u>
Total Indirect Costs	323,341	200,512
Total	<u>816,869</u>	<u>617,227</u>

* These fees are paid to an independent external company who audit licensee records and allow us to provide the assurance that goods sold with the endorsement of the FAIRTRADE Mark comply with the stated criteria.

Notes to the Financial Statements

10 Public Education and Awareness

Activities funded to promote knowledge and awareness of the FAIRTRADE Mark and the need for Fairtrade in the interests of disadvantaged producers.

	2004 £	2003 £
<u>Direct costs</u>		
Fairtrade Fortnight	101,266	74,342
Promotional merchandise	54,259	42,411
Fair Comment newsletter	50,600	42,802
Supporter and other materials	19,367	32,499
Media costs	17,596	20,521
Advertising and events	16,209	8,408
Other communications costs	<u>34,290</u>	<u>39,466</u>
Total Direct costs	293,587	260,449
<u>Indirect costs</u>		
Staff costs	215,569	207,240
Allocation of support costs	<u>129,492</u>	<u>97,729</u>
Total Indirect costs	345,061	304,969
Total	<u>638,648</u>	<u>565,418</u>

Fairtrade Fortnight

Most of our public awareness raising activity is focused on Fairtrade Fortnight, which takes place in March each year. Supermarkets, major development charities, churches, National Federation of Women's Institutes members and thousands of supporters around the country promote Fairtrade during this period. Direct grant funding for the Fortnight of £26,410 was provided by the funders listed in Note 4 above, of which £17,410 was utilised against the 2004 events, with the remaining £9,000 carried forward for 2005 costs.

The total direct expenditure in the year on Fairtrade Fortnight was £101,266 which is analysed below.

	2004 £	2003 £
<u>Direct costs</u>		
Materials	92,310	51,931
Fairtrade Fortnight travel including producer visits	6,182	11,937
Advertisements and events	2,764	3,942
Other costs	<u>10</u>	<u>6,532</u>
Total Direct costs	<u>101,266</u>	<u>74,342</u>
<u>Funded by</u>		
Direct grant support (see Note 4)	17,410	21,500
Allocated against Fairtrade Towns programme funding	6,300	5,000
Unrestricted funding	<u>71,256</u>	<u>47,842</u>
Total Direct costs	<u>101,266</u>	<u>74,342</u>

In addition, £48,228 of Fairtrade Fortnight 2003 expenditure was incurred in 2002 and charged to expenditure in that period.

£112,271 (2003 - £29,652) of direct costs relating to Fairtrade Fortnight 2005 were incurred during the period. These have been treated as a prepayment (Note 16) and carried forward to 2005.

11 Management and Administration

Activities to enable the Foundation to function as a Registered Charity and a Company registered in England and Wales.

	2004 £	2003 £
Direct Costs		
Audit fees	4,335	3,649
Insurance	2,527	2,404
Staff and Trustee training and development	1,894	2,086
Staff recruitment costs	-	1,240
Legal fees	2,015	1,775
Board costs (travel and meeting costs)	<u>2,412</u>	<u>556</u>
Total Direct Costs	13,183	11,710
Indirect Costs		
Staff costs	47,530	25,905
Allocation of support costs	<u>26,213</u>	<u>13,647</u>
Total Indirect Costs	73,743	39,552
Total	<u>86,926</u>	<u>51,262</u>

12 Support Costs

Support costs comprise the general office costs of the organisation together with the central finance, IT and personnel functions. These costs are allocated to other cost headings on the basis of office space allocation and use of central service functions.

	2004 £	2003 £
Staff costs	59,412	43,175
Office rent	72,618	57,040
Rates and other occupancy costs	17,948	15,541
Information technology costs (inc. equipment leasing)	27,850	12,055
Telephone, stationery, postage and photocopying	49,216	27,377
Volunteer costs	14,781	10,060
Depreciation of assets	12,325	6,383
Staff recruitment	8,780	7,026
Consultancies	6,664	-
Other office costs	4,771	2,620
Other support costs	<u>17,748</u>	<u>4,095</u>
Total Support Costs	<u>292,113</u>	<u>185,372</u>
Allocated		
Certification, Licensing and Product Development	119,508	62,351
Public Education and Awareness	129,492	97,729
Cost of Generating Funds	16,900	11,646
Management and Administration	<u>26,213</u>	<u>13,647</u>
Total Support Costs	<u>292,113</u>	<u>185,372</u>

Notes to the Financial Statements

13 Net Income for the Period

Net income for the period is stated after charging.

	2004	2003
	£	£
Depreciation of fixed assets	12,324	6,383
Audit fees	4,335	3,649
Other services provided by auditors	-	1,626

14 Staff Costs and Trustees Remuneration

No remuneration was paid to Trustees in the year. Travel expenses in carrying out the functions of the Foundation are reimbursed to Trustees who are not otherwise able to claim. £838 (2003 - £170) was reimbursed to four Trustees (2003 – one Trustee).

No employee earned more than £50,000 per annum.

The full staff costs were:	2004	2003
	£	£
Wages and salaries	473,209	356,996
Social Security costs	49,024	36,196
Pension contributions	28,069	18,107
Agency staff	-	<u>4,322</u>
Staff costs	<u>550,302</u>	<u>415,621</u>
Staff recruitment costs	8,780	7,025

The average monthly number of full time equivalent staff employed by the Foundation during the year was as follows –

	2004	2003
Director	1	1
Marketing	5	3
Certification	1	1
Communications	7	7
Fundraising	1	1
Support and administration	<u>3</u>	<u>2</u>
Total	<u>18</u>	<u>15</u>

15 Tangible Fixed Assets**Office Equipment, Fixtures and Fittings**

	£	£
Cost at 1 January 2004		44,031
Add – additions	18,473	
Less – disposals	-	
At 31 December 2004		<u>62,504</u>
Depreciation at 1 January 2004		32,962
Less – accumulated depreciation on disposals	-	
Add - charge for period	12,324	
At 31 December 2004		<u>45,286</u>
Net Book Value at 1 January 2004		11,069
Net Book Value at 31 December 2004		<u>17,218</u>

16 Debtors

	2004	2003
	£	£
Due within one year		
Licence fees	472,160	260,520
Prepayments in relation to Fairtrade Fortnight	112,711	29,652
Grants receivable	54,059	16,486
Sponsorship monies due (inc VAT)	48,515	-
Other income receivable	27,764	-
Other trade debtors	8,888	5,055
Deposit on premises	8,878	7,556
Other prepayments	<u>4,169</u>	<u>12,912</u>
	<u>737,144</u>	<u>332,181</u>

17 Creditors

	2004	2003
	£	£
Amounts falling due within one year		
Fees due to FLO	357,055	203,881
VAT payable	62,983	9,856
Other creditors and accruals	40,999	33,859
Trade creditors	38,410	12,956
Social Security and other taxes	15,716	10,030
Income received in advance	<u>6,930</u>	-
	<u>522,093</u>	<u>270,582</u>

Notes to the Financial Statements

18 Restricted Funds

	Balance at January 2004	Incoming	Interest credited	Outgoing	Transfer from Unrestricted funds	Balance at December 2004
	£	£	£	£	£	£
Public Awareness and Education						
Media and Profile programme	15,000	-	-	15,000	-	-
<u>Fairtrade Towns</u>						
DFID		23,689	-	62,640	38,951	-
Other		6,550	-	3,400	-	3,150
Total		30,239	-	66,040	38,951	3,150
Fairtrade Fortnight	-	26,410	-	17,410	-	9,000
Trade Justice Movement Support	2,500	10,000	-	10,000	-	2,500
Other	-	500	-	500	-	-
TOTAL Public Awareness/Education	17,500	67,149	-	108,950	38,951	14,650
Business and Product Development						
<u>Expanding the Fairtrade Product Range</u>						
DFID	24,739	84,779	600	110,118	-	-
Comic Relief	1,111	86,116	-	34,310	-	52,917
Other	-	24,250	-	22,250	-	2,000
Total	25,850	195,145	600	166,678	-	54,917
<u>Out Of Home Project</u>						
DFID	-	22,487	-	40,892	18,405	-
Other	500	4,500	-	5,000	-	-
Total	500	26,987	-	45,892	18,405	-
Producer Support	-	20,612	-	20,612	-	-
TOTAL Business and Product Development	26,350	242,744	600	233,182	18,405	54,917
TOTAL RESTRICTED FUNDS	43,850	309,893	600	342,132	57,356	69,567

Media and Profile Programme

The Allan & Nesta Ferguson Charitable Trust have provided funding to support two projects relating to communication programmes including visits to producers.

Fairtrade Towns and Churches Programme

This project, partly funded by DFID and the Methodist Relief and Development Fund, is to support the growing grass roots movement of individuals and local organisations striving to make their towns and churches “Fairtrade”. The programme funds a part-time co-ordinator position, volunteers and resource materials.

Fairtrade Fortnight

Most of our public awareness raising activity is focused on Fairtrade Fortnight, which takes place in March each year. Supermarkets, major development charities, churches, National Federation of Women’s Institutes members and thousands of supporters around the country promote Fairtrade during this period. Grant funding was provided by the funders listed in Note 4 above.

Trade Justice Movement Support

Grants from CAFOD and Christian Aid were received to enable the Foundation to provide facilities for the Trade Justice Movement. This is a coalition working to redress the terms of trade in favour of producers who are disadvantaged by current rules.

Enlarging the Fairtrade Product Range

This project is to develop new Fairtrade products to extend the reach of Fairtrade labelling to new producers in the developing world and is being funded by DFID and Comic Relief and other organisations listed in Note 4. It will increase the range of Fairtrade products in the shops.

Out of Home Project

This project, funded predominantly by DFID, seeks to expand the demand for Fairtrade in the catering, hotel, and restaurant sectors by raising awareness both among suppliers and customers.

Producer Support - East Africa Regionalisation Project

The project, funded by DFID, aims to establish a structure which will enable producers in East Africa to directly influence the formulation of policy and implementation of practice of Fairtrade labelling. This project was completed in early 2004.

Notes to the Financial Statements

19 Designated Funds

	Balance at January 2004 £	Used in year £	New allocations £	Balance at December 2004 £
DFID project matching funds	8,180	8,180	-	-
Office relocation and expansion	25,000	-	45,000	70,000
Non-cash assets	48,277	31,059	-	17,218
Total	81,457	39,239	45,000	87,218

DFID project matching fund

Provided the resource required by DFID as the required matching funds for work to be carried out in 2004 under the Fairtrade Towns Initiative to match DFID funding received in 2003.

Office relocation / expansion fund

With the continued growth of the Foundation there is continuing pressing need on office accommodation. The reserve is set aside to fund work on developing the Foundation's offices during 2005 and to provide monies for the cost of a potential move from the current offices, including dilapidations that would be payable at the end of the lease in Baldwin's Gardens. The Trustees set aside a further £45,000 during the year to bring the fund up to the desired level to fund a move and also to provide funding for the integration and refurbishment of further office space that they agreed to take on in December.

Non-cash asset fund

This fund represents the depreciated cost of fixed assets used by the Foundation in its work.

20 Unrestricted Funds

Funds sufficient to permit the charity to continue in operation in the short term while corrective measures are made to operations in the light of any of the risks with a financial impact occurring. The Trustees estimate that at December 2004 an appropriate range for these reserves are between £280,000 and £420,000. At the balance sheet date the level exceeded this range and the Trustees will be using these additional resources to implement the strategic plan over the coming two years as outlined in the Trustees' report.

21 Analysis of Fund Balances held on 31 December 2004

	Unrestricted £	Designated £	Restricted £	Total £
Tangible fixed assets	-	17,218	-	17,218
Current assets	1,097,183	70,000	69,567	1,236,750
Current liabilities	(522,093)	-	-	(522,093)
Balances forward	575,090	87,218	69,567	731,875

22 Financial Commitments under Operating Leases

At 31 December the charity had annual commitments under operating leases as follows:

	2004	2003
	£	£
Land & Buildings		
Expiry date between 1 and 2 years	61,222	56,336
Computer Equipment		
Expiry date between 1 and 2 years	8,480	-
Expiry date between 2 and 5 years	-	8,480

On 21 February 2005 two further units in Baldwin's Gardens were leased and the existing leases renegotiated so that the total annual commitment increased to £80,000 with an expiry date of March 2007.

23 Share Capital

The Fairtrade Foundation is a Company limited by guarantee and with no share capital. Each member is liable to contribute a sum not exceeding £1 in the event of the company being wound up.