



The Fairtrade Foundation

Annual Report and Financial Statements

for the year ended 31 December 2012

The Fairtrade Foundation

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The Fairtrade Foundation

Report of the Trustees (incorporating the Report of the Directors)

For the year ended 31 December 2012

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 2012. The Reference and Administrative information on pages 33 and 34 form part of this report.

Objectives and Activities

The objects of the Fairtrade Foundation are formally set out in the Memorandum and Articles of Association as:

- Relieving poverty, suffering and distress in any part of the world; and
- 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.

To relieve poverty in the world's least developed countries the Fairtrade Foundation licences the use of the FAIRTRADE Mark on products in the UK that meet international Fairtrade standards. The sales of such products relieve the poverty of producers in the developing world by ensuring that they receive at least a fair price for their goods and an additional social premium. This social premium is democratically allocated by producers to develop and support local community projects, such as schools or equipment, clean water, health care etc.

The Fairtrade Foundation promotes research and education around the causes and effects of poverty, particularly in relation to the conduct of trade. We do this by bringing together producers, businesses, communities and individuals in a powerful citizens' movement for change, to tackle poverty and injustice through trade. Some of the ways that we do this include researching and developing reports on the impact on producers in the developing world; promoting and inspiring the general public about Fairtrade; further deepening our collective awareness and understanding of the need and impact of Fairtrade; motivating campaigning volunteers across the UK to take up these issues on our behalf through development of local campaign groups in towns, cities, schools, universities and churches to name a few; and engaging with relevant influential decision makers on the issues.

The Fairtrade Foundation is a member organisation of, and works very closely with, Fairtrade International (FI previously known as Fairtrade Labelling Organisations International - FLO), based in Germany. This umbrella organisation is responsible for the international standards that underpin Fairtrade; for supporting producers and, through its subsidiary FLO-CERT, for certifying adherence to the standards by producers and traders.

The Fairtrade Foundation's FAIRTRADE Mark is the independent consumer guarantee of a better deal for producers in developing countries. The Foundation charges licence fees to companies marketing products that comply with the Fairtrade standards and carry the FAIRTRADE Mark. Licence 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 auditing of UK licensees is largely undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLO-CERT.

Our Vision

Our vision is of a world in which justice and sustainable development are at the heart of trade structures and practices so that everyone, through their work, can maintain a decent and dignified livelihood and develop their full potential.

To achieve this vision, Fairtrade seeks to transform trading structures and practices in favour of the poor and disadvantaged. By facilitating trading partnerships based on equity and transparency, Fairtrade contributes to sustainable development for marginalised producers, workers and their communities. Through demonstration of alternatives to conventional trade and other forms of advocacy, the Fairtrade movement empowers citizens to campaign for an international trade system based on justice and fairness.

Our mission

The Fairtrade Foundation's mission is to work with businesses, community groups and individuals to improve the trading position of producer organisations in developing countries and to deliver sustainable livelihoods for farmers, workers and their communities by:

- being a passionate and ambitious development organisation committed to tackling poverty and injustice through trade;
- using certification and product labelling, through the FAIRTRADE Mark, as a tool for our development goals;
- bringing together producers and consumers in a citizens' movement for change; and

- being recognised as the UK's leading authority on Fairtrade.

Public Benefit

The Trustees confirm that they have complied with their duty in Section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales. The Trustees further confirm that the activities of the Fairtrade Foundation are carried out, in line with its objects, for the public benefit as described below.

Principal Achievements and Performance in 2012

Our 5 year strategy, "Tipping the Balance – the Fairtrade Foundation's Vision for Transforming Trade 2008-2012" was published in February 2008 after a strategic review with significant input from all of our stakeholders – our licensees and retail partners, producers, NGO partners, campaigners, international colleagues, funders, Trustees and staff.

The strategy sets out how the successful model of Fairtrade can be radically extended in reach and impact – to tip the balance of our trade with poor producers decisively in their favour. The plan set out five strategic goals for Fairtrade:

- To develop Fairtrade to extend and deepen its benefits for farmers, workers and their communities so that by 2012 twice as many producers will be benefiting from selling Fairtrade goods in the UK, while those already supplying the UK market are able to double the proportion of the crop they sell via the Fairtrade system.
- To build further support for Fairtrade across UK society so that by 2012 three quarters of people in Britain recognise the FAIRTRADE Mark and what it stands for, people from all parts of society see Fairtrade as the norm and supporters are a vibrant people's movement for change.
- To work with business to ensure more companies sell Fairtrade products, and those that do, move from just complying with the standards to a deeper commitment. By 2012 we want there to be a diversity of companies in Britain producing and selling Fairtrade goods in all areas of the market – including thriving new and established companies dedicated to Fairtrade, restaurants, high street fashion stores, multiple retailers, small businesses and a growing group of household brands converting to Fairtrade.
- To propel Fairtrade sales and market share to a new level so that by 2012 the UK market for Fairtrade products will have reached £2 billion a year – four times the 2007 level.
- To scale up our activities, our systems and work with our partners so that by 2012 the global Fairtrade system is known as a beacon of good practice in trade and development, enabling the voice of the poorest to be heard at the highest level.

Trustees review progress on each priority during the year through quarterly reporting against key performance indicators. The following progress can be reported for 2012 and the five-year Tipping the Balance strategy.

• Increasing Fairtrade's impact for producers

Fairtrade is firmly established in the mainstream markets. Over the last five years, Fairtrade sales in the UK have grown by 115% from £712 million in 2008 to £1.53 billion in 2012 and by 16% (from £1.32 billion) compared to 2011.

The number of small farmers and workers benefiting from Fairtrade now totals more than 1.24 million in 63 countries (2011 figure from Fairtrade International Monitoring Report). Fairtrade premiums, the extra payment that producers receive for business or social development, increased to an estimated £23.3 million in 2012 from an estimated £20.5 million in 2011. Fairtrade International M&E figures indicate an increase in premium receipts on average per producer organisation and per producer year on year.

The Fairtrade Foundation published phase 1 of the Comic Relief funded Malawi impact research in tea, nuts and sugar, *'Taking Root, Fairtrade in Malawi'* and carried out the field work for phase 2 which was published in early 2013. The research confirmed that there are tangible, significant and sometimes considerable economic, social, technical and organisational development benefits to smallholder families and estate workers arising from Fairtrade certification. The report also identified challenges around ensuring that the benefits of premium were also available to workers within Kasinthula sugar producer organisations. Action was taken to improve this including ensuring a more efficient use of hired labour and representation of workers on the consultations for the use of premium. We also published an impact assessment report on Fairtrade Cotton in Mali, Senegal, Cameroon and India, the recommendations around an improved balance of demand with supply were being taken forward by the global cotton model project.

Fairtrade and Fairmined gold (FTFM), a new category launched in 2011, continued to grow with volume increasing by 261% from 438 gold items in 2011 to 1,582 in 2012. Globally there are 15 million artisanal and small scale miners characterised by high levels of poverty. Working in partnership with the Alliance for Responsible Mining we provided support to miners, introduced market incentives to target improved working conditions and supported community development and responsible environmental management practice initiatives. For example Satrami in Peru have invested their first Fairtrade premiums into processing machinery to allow larger volumes of FTFM gold to be produced.

Five years ago, as part of our strategy to mainstream Fairtrade, we and our partners set out to expand the reach and impact of Fairtrade in Africa, a region then woefully underrepresented in international trade. Today, more than 60 per cent of the 1.24 million farmers and workers involved in Fairtrade are in Africa. We continued to work closely alongside Fairtrade Africa with support from Comic Relief to build their capacity to take an increased leadership role for Fairtrade. We provided advice, guidance and strategic support and shared our plans exploring areas for collaboration. The influence of Fairtrade Africa continues to improve as it is seen to be an authoritative voice representing African producers in the global system in areas such as standards, prices and social issues.

One of our main ambitions in Fairtrade is to support the development of strong, effective producer organizations. We have had the opportunity to directly support this in Cocoa. Cocoa is dominated by three traders globally and producer organizations often lack the skills and expertise required to negotiate effectively. They often do not understand the terms of the contracts they are signing nor their rights and obligations nor how to tackle disputes making them vulnerable to unclear or unfair trading terms. Working with a legal practitioner in contracts law from the UK who gave his time pro-bono we developed an interactive, practical workshop around contract law and negotiation. We rolled out the workshops in two locations in Cote D'Ivoire, Abijan and Abenjourou, and these were attended by 64 producers from 25 cooperatives. The outcomes from the workshop as articulated by participants were increased insights and the ability to tackle and find solutions for contracts challenges.

Although Fairtrade has helped create a more level playing field, it is farmers and workers themselves who have shown what can happen when they have the opportunity. Take the 8,000 tea growers who own the Iria-ini Tea Factory in Kenya: they used the confidence and business prowess they gained from selling on Fairtrade terms to start packing their tea at source. With support from the UK government and Marks & Spencer on their journey from tea pickers to packers, they now earn an extra \$2-\$3 per kilo, capturing more value where it is needed most. This in turn has inspired them to diversify into the local and regional market – theirs will be one of the first Fairtrade certified products available in East Africa. It's win-win – supermarkets get finished Fairtrade tea and the farmers have a growing business, moving up the value chain and diversifying, balancing risk with opportunity in different markets. It's just one example of the power of collaboration – putting value and ownership back into the hands of producers. And it is this dynamism and energy which enables Fairtrade to have such an impact.

- **Shifting public opinion and consumer lifestyles to make Fairtrade the norm**

After a steady increase since 2009, a healthy level of visibility for Fairtrade has remained stable in the UK since 2011. Our Globescan and TNS research revealed FAIRTRADE awareness levels reaching an all-time high of 78% (from 77% in 2011), complemented by steady trust levels at 89% (90% in 2011). This surpasses Tipping the Balance's Goal two that three quarters of the public recognise the FAIRTRADE Mark by 2012.

In 2011 we made a significant decision to move beyond exclusively focusing on a two week campaign at the end Feb/early March to an annual campaign that encouraged action and provided three additional opportunities (World Fairtrade Day (May) which also showcased the work of Fair Trade Organisations through the big breakfasts), Summer of Fairtrade and Autumn of Fairtrade to keep Fairtrade front of mind.

Fairtrade Fortnight 2012 saw the continuation of the brand identity, introduced in 2010, but with a new theme "Take a Step". This campaign provided a simple, yet broad and flexible idea encouraging our stakeholders to take 1.5 million steps, one for each Fairtrade farmer/producer in the global system. Activities included a Step-O-Meter on the dedicated Take a Step website rallying everyone to achieve 1.5 million steps with periodic rewards from commercial partners to encourage existing and/or attract new audiences to Take their Step for Fairtrade. At the end of 2012 we achieved 1 million steps. However an analysis indicates that the quality of the steps was excellent with each step taken demonstrating a concrete action (e.g. product purchase, event organised, cake baked etc) being taken in support of Fairtrade.

In the summer, to raise awareness of the variety of Fairtrade products available at the London 2012 Olympics, the Team Fair campaign, encouraged campaigners to promote Fairtrade during the Olympic Touch relay through the use of themed flags and the uploading of images to social media.

Fairtrade's consumer communications are designed to bring alive the benefits that Fairtrade brings to producers in developing countries. We therefore continued work on the 'Ask Malawi' project, an innovative new media concept jointly funded by Comic Relief and the Foundation, which provides Fairtrade producers in Malawi with the opportunity to provide video answers to questions posed by consumers in the UK. By using advances in mobile video technology we are empowering producers to tell their own stories, the project was launched in early 2013.

Autumn of Fairtrade saw the very successful Big Fair Bake Sept-Oct 2012. The competition had excellent interaction with about 5,000 participants, with high digital interaction and uptake. The online promotion included a Mumsnet sponsored discussion and BBC Good Food competition all of which raised the profile of Fairtrade. We received very positive feedback on the Big Fair Bake including a mention by Divine at our Commercial Conference. Overall a very positive result in our first attempt to extend our campaigning peaks from one to four.

In 2012 we achieved 6735 media hits overall and developed a new media strategy to broaden our reach across digital/social media channels. An interview with Anne Robinson saw BBC Watchdog challenge our use of 'mass balance', which means Fairtrade beans can be mixed with non-Fairtrade beans in chocolate manufacture. Our Director of Policy and Public Affairs Barbara Crowther argued convincingly that what consumers care about most is that every Fairtrade chocolate bar they buy helps deliver a better deal to Fairtrade farmers and workers in the cocoa industry. This is supported by our TNS consumer research as the highest percentage (over 60%) of respondents associate Fairtrade with a better deal for third world producers. The media team has also been active in promoting the work of Fair Trade Organisations. In 2012 a facilitated trip to Ghana with Divine chocolate resulted in a five page feature in the Saturday Telegraph and a range of media mentions.

During the rest of the year we successfully executed or contributed to various events from commercial facing (e.g. Commercial Conference, Caffè Culture and International Jewellery London) to consumer facing (e.g. London Jewellery Week and the National Wedding Show highlighting the breadth of FAIRTRADE products, their impact and so promoting sales.

In 2012 the level of grassroots support was further demonstrated by the ever increasing number of Fairtrade Schools. More than 5,000 schools are talking about Fairtrade and what it means to producers, and in recognition of this, a further 182 schools qualified to hold Fairtrade status bringing the total number to 878. Each year Development Education Centres and groups of educationalists across the UK have the opportunity to bid for funding from the Fairtrade Foundation to deliver projects with schools that encourage the embedding of Fairtrade and assist schools to apply for the Fairtrade Schools Award. In 2012, Cumbria DEC received a grant and co-funded this with funding from a local Fairtrade group and supported it with funding from an EU project. The grant covered work with 24 schools which received staff training and help creating and sharing quality teaching resources, putting together a total of 10 lesson plans so that schools had new ways of teaching and learning about Fairtrade. These are now publicly available for free via the CDEC website. The work was also set in a wider context so schools were made aware of the global dimension and many commented that they had a "greater global awareness" following the training. This project is delivering local links between schools and Fairtrade community groups; one school already with FT Status showed interest in working alongside a nearby school to help them.

Fairtrade Towns in the UK and internationally continue to grow, with the fastest growth being seen internationally. By the end of 2012, 24 more towns achieved Fairtrade status in the UK bringing the total to 554. Having celebrated 1000 Fairtrade towns worldwide in 2011, 2012 saw the total rise to 1230.

Development of grassroots support also continued to grow in universities, churches and other faith groups. At the end of December 2012 there were 168 Fairtrade Universities and Colleges and over 7000 faith groups (mainly churches, church networks and dioceses, also 44 synagogues, 3 mosques, 1 Hindu temple and 1 Baha'i community).

Luton town was awarded with the outstanding achievement trophy in our 2012 campaigning awards. Luton's campaign demonstrated a truly cross community effort, involving people of all ages, from many different ethnicities and faiths – including Muslims, Sikhs, Hindus, Jews, Christians and people with no particular faith affiliation. They organised a range of activities from hosting a Fairtrade banana farmer to organising a Fairtrade football tournament, produced local resources and worked with Bedfordshire University and local schools.

In 2012 we also sought to increase campaigner voice in the Foundation. Taking forward recommendations from a campaigner consultation the Campaigns Advisory Group became the regionally elected National Campaigns Committee (NCC). The NCC became a member of the Fairtrade Foundation and nominated a Trustee to the Board who was elected to the Board January 2013.

- **Expanding business engagement with Fairtrade from compliance to deeper commitment**

Sales exceeded expectations during 2012 by achieving estimated retail value of £1.53Bn compared to the original estimate of £1.47Bn.

This better than expected position is largely the result of a late surge in two key accounts – Ben & Jerry's Ice-cream and Mars (Maltesers). Ben & Jerry's converted a number of key flavours to Fairtrade earlier than planned and following a promotional programme in Q3 and Q4 Mars launched their first Fairtrade product by switching Maltesers to Fairtrade using cocoa from West Africa.

Three of the top five chocolate products in the UK are now Fairtrade.

In terms of major accounts, Kraft (Mondelez from now on) has continued to grow through new products (Bubbly) and hot chocolate growth. Sainsbury's, Starbucks and the Coop have remained steady with no significant major growth. Although significant commitments were made by the Coop, the last few categories will switch during 2013. Starbucks is the only major brand where sales have been flat and their recent challenges mean UK growth may be elusive.

Fair Trade Organisations have faced challenging conditions but their business decline has slowed. During 2012, the Foundation successfully provided improved support to these accounts which has been acknowledged by them. However, a price driven retail market does pose challenges for these brands.

Mondelez also launched its 'Cocoa Life' programme committing to invest £400 million in cocoa farming over a ten-year period. This is in partnership with key stakeholders including the Fairtrade Foundation, United Nations Development Programme and other international NGOs.

2012 saw further development of our working relationship with Nestlé with an announcement in October to launch 2 Finger KIT KAT in Jan/Feb 2013. We have also been collaborating with Fairtrade International to share our approach and learning in issues related to child labour practices with Nestlé and received positive feedback on our joint marketing work in the UK, with enthusiasm for further collaboration in 2013. We are also exploring new business options with the aim of aligning with the Nestlé Cocoa Plan.

Marks and Spencer demonstrated deeper commitment in supporting the Iria-ini Tea growers to capture more value by packing their tea at source as outlined in the producer impact section above.

Fairtrade presence in the Out of Home market has also been increasing with commitments on Fairtrade coffee and wine in various national restaurant chains such as Pizza Express, Nandos and The Real Greek.

The 2012 Olympics provided a great opportunity for Fairtrade products after securing agreement with LOCOG (London Organising Committee of the Olympic Games) that all their contracted catering partners commit to hitting benchmark standards on sugar, tea, coffee and bananas. Almost all catering suppliers delivered on these commitments by supplying relevant Fairtrade products as part of their delivery of the Food Vision during the Olympics. In addition to the core products outlined in the Food vision, spectators who were sipping wine whilst watching the athletes, has the option of drinking Fairtrade wine from Bibendum won the Olympic wine contract to supply circa 2 million bottles of White and Rose Fairtrade wines. As part of the games legacy key suppliers which had switched sugar supply specifically for the games, confirmed that they will continue to sell Fairtrade products now that the games have finished.

In 2012 as part of our work to encourage companies to move beyond compliance to commitment, we developed a draft list of good practice behaviour and work commenced, in partnership with KPMG, on research into the experiences of companies working with smallholder farmers. This research formed the basis for a report which is due to be launched as part of Fairtrade Fortnight 2013.

- **Growing Fairtrade's share of key markets to propel sales to a new level**

Sales continue to out-perform overall commercial trends with 15% growth in 2012, with most of the growth concentrated in three commodities – cocoa, sugar and bananas.

Sugar saw significant growth of 24% in 2012. The UK sugar market provides substantial producer access accounting for three quarters of the global market for Fairtrade sugar. Driven by the success of chocolate confectionary and the Morrison's switch to Fairtrade sugar (using Tate and Lyle), it is underpinned by sales of packet sugar by retailers, cafes, restaurants. Sugar is the single largest Fairtrade commodity by market share, bringing Fairtrade to an estimated 40% share of the retail bagged sugar market. Approximately 70% of Fairtrade certified sugar production is sold on Fairtrade terms; generating approximately US\$6m premium for producers.

Cocoa saw significant growth of 51% in 2012 with approximately 25,000 metric tonnes sold in the UK market. Chocolate confectionary continues to be the largest Fairtrade category in the UK, with an estimated retail value of £542 million up 31% on 2011. Whilst the growth rate for hot chocolate sales may have fallen slightly from the doubling in 2011, it is still phenomenal at a 72% increase in 2012. Retail value is now nearly £120 million. Although generating approximately US\$5m premium for cocoa producers; there is still much more to do as many producers are still able to sell only 27-28% of current cocoa production on Fairtrade terms.

Although cocoa and sugar are key commodities for Fairtrade producers, it has been emphasised by FI and LIs (now known as NFOs) alike that sales of Fairtrade cocoa and sugar will only be able to grow further with a new model. Although the conversion of 2 finger KIT KAT by Nestlé in 2013 will see further growth for cocoa and sugar, it is unlikely that sales of Fairtrade cocoa and sugar will be able to grow further beyond this. Therefore in early 2012, working with international colleagues, we started The New Business Options project (for cocoa and sugar) with the overall objective to increase impact for producers in cocoa and sugar. This innovation, as well as a similar model for new business options in cotton, is a key part of Fairtrade's new 'Unlocking the Power of the Many' strategy.

Meanwhile sales of bananas continued to increase to over 196,000 metric tonnes sold in 2012, an increase of 15% on 2011. A strong contributory factor to this growth was the 100% switch to Fairtrade bananas by the Cooperative which was rolled out during 2012. UK banana sales generated approximately US\$10.8M premium in 2012 and account for almost 60% of the global Fairtrade market for bananas.

Of the other major categories – coffee, tea, cotton & flowers - have all either stayed in line with 2011 sales volumes or shown a slight decline in value terms.

The underlying picture in volume terms is more serious for Coffee & Tea. In both of these, a range of ethical labels are increasingly operating successfully in this sphere and gaining market share. We need to respond to this by articulating clearly our uniqueness and the impact of Fairtrade. In Coffee, volumes at 13,370 metric tonnes are slightly up on 2011 levels, but price pressure is resulting in a small decline in sales value in 2012. In Tea, Fairtrade volumes, which are mostly in retailer own label, fell by 10%. They have been affected by heavy price promotions by big brands which are all largely Rainforest Alliance certified. A 'Grow & Protect' plan is in place for Coffee for 2013, although in Tea our challenges are more fundamental as the entire value chain is stripped of value, making Fairtrade unaffordable at scale.

The smaller categories of Herbs & Spices, Wine and Gold all registered strong growth in 2012.

Against a picture of overall growth, however, some product categories have struggled in the midst of recession. In particular, Fairtrade cotton sales have continued to decline in the past year, with value sales down 4% and volumes 11%. Earlier work on a new model for cotton is progressing and operational pilots are being discussed to iron out details so that it can be finalised in time for the next cotton season. Flowers continue to struggle with both value and volume down on 2011, however the recent switch on roses by the Cooperative should see growth resume in 2013.

- **Scaling up and developing Fairtrade's systems**

The Foundation supported major changes in the international system. The decision taken by the global Fairtrade movement in 2011 meant producer networks now own half of Fairtrade International – making us the only major global certification body half-owned by producers.

We therefore continued our support to the three Producer Networks, which are critical to shifting the axis of Fairtrade towards the South. The Foundation worked closely with Fairtrade Africa as part of the Comic Relief project and has also helped the CLAC (Latin American & Caribbean Network of Small Fair Trade Producers) and the NAP (Network of Asian Producers) with their development plans, providing funding where possible.

The Foundation continued to work ever more closely with other Fairtrade Labelling Initiatives (now known as National Fairtrade Organisations or NFOs) around the world. It's important that existing markets achieve their full potential and as one of the most successful markets for Fairtrade, the UK experience in commercial relations, public communications and grassroots support projects such as Fairtrade Towns, is often referenced by our partners. The opening up of new markets for Fairtrade is central to our objective of providing additional opportunities for producers, and so the Foundation has continued to provide advice and support to Fairtrade South Africa since its formation. We have also provided advice and financial support to Fairtrade Japan and Fairtrade Ireland to assist them as they scale up Fairtrade sales in their respective markets.

As part of our international collaboration framework the Foundation conducted a change management review to identify workload duplication with other partners and enable the transition of such work. This resulted in ceasing a number of functions within the Foundation as it was deemed they duplicate work carried out in other partner organisations. During this process a number of other efficiencies in areas of the Foundation's work were identified and implemented in 2012.

In 2012 we conducted our first customer survey of licensees which demonstrated a strong alignment with our core objectives with the main areas for improvement being our core systems and customer information provision and support processes.

An annual staff survey is one of the methods used to monitor staff engagement and organisational effectiveness. The 2012 survey "*Your voice – bee heard*" was re-scheduled for early 2013 to bring it in line with the setting of organisational and personal objectives. Part of the re-brand of the engagement survey includes the development of a more sophisticated staff engagement score. 2012 also saw the creation of '*Your development*', a guide to learning and development at the Fairtrade Foundation.

In the 2011 survey; 80% of staff responded to the 2011 survey, with 94% of questions answered more positively than in 2010. 83% of staff reported that they enjoy working for the Fairtrade Foundation, up 16% from 2010. Areas for improvement articulated by staff were around systems and processes, internal communications, leadership and learning and development. Since then actions such as an improved planning and performance

process, training needs analysis, a Learning and Development Guide, improved induction and cascades from Senior Management team are some of the measures that have been put in place to improve in these areas.

The Foundation also sought to strengthen and review its governance. A consultation process with members resulted in the approval of a revised board structure agreed at the 2012 AGM. Changes to legal governing documents were made and filed with relevant authorities in late 2012. All trustees were asked by members to stand down in December 2012 to allow for an election to take place to populate the new board structure. Six of the original trustees, David Clayton-Smith, Melissa Duncan, Patricia Alexander, Deborah Doane, Arun Ambatipudi and Simon Maxwell were re-elected. A number of Trustees' were approaching their maximum terms and/or did not put themselves forward for nomination. The Foundation would like to say a special thank you to Merling Preza, Alex Yeboah-Afari, Joy Thomson, Paul Brannen, Joe Human and Diana Holland for all their leadership, encouragement and support during their time as Trustees. Four new Trustees were elected: Rebecca Rowland (National Campaign Committee); Nabilai Suma (Independent); Barney Tallack (Oxfam) and Chief Adam Tampuri (Fairtrade Africa).

UNLOCKING THE POWER OF THE MANY

Fairtrade Foundation's 2013-15 strategy

In 2012, Fairtrade turned 18 and came of age. The trailblazing path laid by Fair Trade Organisations Divine Chocolate, Traidcraft, Equal Exchange, Cafédirect and Fullwell Mill among others, was finally tipping into the mainstream, with major switches in tea, sugar, coffee and bananas by Co-op, Sainsbury's, Waitrose and Morrisons, and several of the UK's favourite brands – Ben & Jerry's, Cadbury Dairy Milk, Tate & Lyle and KIT KAT converting to Fairtrade. Fairtrade campaigns had taken root in over 500 towns and cities, more than 5,000 schools, 150 universities and colleges and 7,000 different faith groups, and recognition of the FAIRTRADE Mark is the highest of any ethical label.

However in today's hourglass economy, access to markets for millions of producers is only via a small number of traders, manufacturers and retailers, who in turn dominate market choices for millions of consumers. Fairtrade works inside this system, unlocking the opportunities for farmers and workers that large scale businesses can offer, but also outside it – widening trade channels through the development of alternative supply chains. We've got to get this balance right for continuing success and deeper impact for farmers and workers.

Our new strategy, 'Unlocking the Power of the Many', builds on this and recognises that together – producers, businesses and the UK public – we hold incredible power to deliver even greater impact and wider change, to learn from the past and adapt for the future. Let's use it. Let's unlock that power and change trade.

Over the next three years we will build on our successes and focus in the following three goals:-

- Increase impact and sales for producers
- Galvanise public support and action
- Cultivate an inspiring and effective organisation

GOAL 1 Increase impact and sales for producers

We will unlock the power of companies to deliver impact for farmers and workers through Fairtrade product certification and the FAIRTRADE Mark.

Coffee, tea, bananas, cocoa and sugar still deliver the bulk of producer sales and Fairtrade Premiums, and the UK remains the most important Fairtrade market globally for many of these. They're still our core priorities, developing our expertise in making trade really work to reduce poverty. We will focus on achieving deeper impact and stronger business partnerships in existing products, rather than introducing lots of new product categories in the next three years.

One in three bananas sold in the UK is Fairtrade. We believe we could make this one in two by 2015. For coffee, the café, restaurant and out-of-home sector in particular still offers many opportunities to increase Fairtrade sales for farmers. For Fairtrade chocolate and sugar – which is now estimated to be 40 per cent of the UK market – we now want to ensure Fairtrade growth leads to lasting change for farming communities.

We will unlock new partnerships with business to go further with Fairtrade.

The world of certification and sustainable sourcing is rapidly changing. As well as extending our existing model we will explore new ways of building partnerships with business in products such as cocoa, sugar and cotton to unlock greater commitments to buy from farmers and workers on Fairtrade terms. Our ambition is to triple the volumes of Fairtrade cotton sold in the UK by 2015. We will also continue to nurture newer products, such as Fairtrade and Fairmined certified gold and silver.

Fair Trade Organisations continue to play a unique and vital role, demonstrating how to do business differently and put development at the heart of the trading relationship. We will work closely with them to find innovative ways to tell their unique story to consumers and bring the benefits of Fairtrade to the most marginalised farmers and workers.

We will challenge, support and incentivise businesses to unlock deeper impact and commitment.

We work with over 450 companies so we and our partners are uniquely placed to deliver real impact for farmers and workers. We want to deepen and create new partnerships with businesses that go beyond minimum Fairtrade standards, including investments in developing supply chains that add more value for farmers, workers and their communities, or that strengthen relationships with smallholder farmer organisations as trading partners.

GOAL 2 Galvanise public support and action

We will unlock the power of the grassroots movement.

Fairtrade is backed by one of the most dynamic grassroots movements in the UK, ordinary people who have worked to build public awareness of the FAIRTRADE Mark beyond any other ethical label, engaging local communities in

Fairtrade campaign groups are developing their own joint local campaigns and we will support this, through development of 12 regional campaign networks, with a voice into the Fairtrade Foundation. We will also focus on the next generation of Fairtrade activists, working with schools, universities and student organisations to deliver youth-led campaigning. Overall, our target is to increase the number of local campaigns groups from 8,600 today to 11,000 by 2015.

We will unlock the power of the public and Fairtrade supporters to bring about long-term change on trade.

In 2013, we will also unlock the power of our grassroots movement to deliver wider change, with the launch of a new three-year Make Food Fair campaign. This will tackle some of the structural injustices in food supply chains and encourage fair and responsible consumption of food.

Recognising the scale of UK public support for Fairtrade, we will create more opportunities for individuals to support Fairtrade through purchasing, campaigning and donating, aiming to increase our active supporter base from 100,000 to 500,000 by the end of 2015.

Underpinned by more sophisticated consumer insight we will target joint campaigns more effectively with the businesses we work with too. We will also develop more international marketing and PR campaigns with Fairtrade organisations across the world, with the first launching in autumn 2013.

We must maintain relevance and trust in the FAIRTRADE Mark, so it's critical we communicate the impact Fairtrade is making, as well as the challenges we still face. We will draw on independent research and impact assessment, as well as digital technology, and a new media strategy, so that farmers and workers can communicate more directly with the UK public. In 2014, we will celebrate the 20th anniversary of Fairtrade products in the UK, a good time to reflect on success, but also to bring the Fairtrade movement together to learn and look to the future.

GOAL 3 Cultivate an inspiring and effective organisation

We will unlock the power of our organisation and our people.

We'll only be able to deliver impact and sales for farmers and workers and fire up the public to take action if we cultivate an inspiring and effective organisation, part of an efficient and well connected international Fairtrade system.

Impact is central to our strategy. We will put what we have learned from our impact assessment and research into strategic planning and business relationships and publish social impact reports, available from 2014.

We recognise our people are passionate and committed and we will invest in staff and the working environment and build a learning organisation.

We will be effective and accountable to those who invest in us, using well designed, straightforward systems and processes, underpinned by robust information and data. We will make it easier and simpler for partners to work with us and improve our internal systems and the way we work to be more efficient and make informed decisions.

We're the largest Fairtrade organisation within an interdependent network of Fairtrade organisations, so we have an important role. We will increase our collaboration internationally and champion development of a global financial and planning model, to reduce duplication and secure increased investment for our work with farmers and workers in developing countries.

Financial Overview of 2012

Incoming resources for the year increased by 8% from £10.8 million to £11.7 million. The principal component of income, the licence fee charged to companies carrying the FAIRTRADE Mark on their products, increased by 14% to £9.4 million. Other measures of financial performance are annual sales volume and wholesale value of Fairtrade products - these increased in 2012 by 11% and 19% respectively.

Grant income reduced in 2012 from £2.3 million to £2.0 million due to a reduction in some of the major grants as these come to an end and we were unsuccessful in our bid to secure grant funding for work with cocoa producers in West Africa.

Continuing grant income came primarily from the Department for International Development (DFID) and from Comic Relief. The Comic Relief Special Initiative grant for the 'Fairtrade for Development in Africa' project continued supporting innovations in communicating about Fairtrade to the UK public as well as supporting work in Fairtrade Africa, Fairtrade Label South Africa and Fairtrade International, and incorporated a supplementary grant to ensure that the interests of Fairtrade and vulnerable producers in general are represented in national and international policy forums related to climate change. In addition a Comic Relief grant started in support of developing small scale artisanal gold miners in Africa accessing Fairtrade benefits. The four year DFID Programme Partnership Arrangement (PPA), which began in April 2010, was awarded to Fairtrade International with some funds coming to the Fairtrade Foundation to help build more in-depth support for Fairtrade and international development from the UK public.

Other grant funding came from the European Commission, for work in support of cotton procurement across Europe, and from the Social Action Fund for work to promote Fairtrade in schools.

Valuable support also came from several trusts and foundations and from partner organisations and we would like to thank all of these grant funders very much for their continued commitment to furthering the work of the Fairtrade Foundation.

Donations increased by 89% from £103,258 in 2011 to £195,509 in 2012. We received one exceptional donation in the first quarter of 2012 that accounts for the majority of the increase. The Foundation would like to thank all the individuals, community groups and companies who have made very valuable donations in support of Fairtrade in 2012.

Resources expended fell slightly by 2% to £10.6 million. The Foundation undertook a review to align the organisation with the new strategy and to improve efficiency where possible. This included a reduction of costs by removing roles in areas where Fairtrade International and FLO Cert already work and therefore efficiencies could be achieved without impacting producers. Charitable expenditure accounted for 95% of the charity's expenditure in 2012, with Fundraising and Governance making up only 3% and 2% respectively. Expenditure in Market Development increased by 11% in line with the charity's strategy of consolidating sales and enhancing account management support for licensees. Other categories saw reductions: Producer and Product Support was down 9%, Certification and Licensing down 9% and Public Education and Awareness fell by 3%.

Total funds increased by £1.1 million in 2012 to £3.7 million. Of this surplus, £1,086k was in unrestricted funds and £63k was in restricted funds. General funds increased by £642k to £2.1 million and designated funds increased by £444k to £1.0 million. These results were better than budgeted and surpassed the general funds target for the end of the year of £1.8 million and reach the long-term target of £2.1m. Restricted funds saw an increase from £534k to £597k.

The management and Trustees have conducted a thorough review of the financial trends and assumptions used in forecasting financial performance for at least the next 12 months and consider that the charity remains a Going Concern.

Investment Policy and Performance

The Memorandum of Association allows the Foundation to invest funds not immediately required as the Trustees think fit. 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 there is no exposure to unrecoverable taxation. The policy also requires that no investment shall be made which is likely to damage the Foundation's interests by offending the ethics of current and potential stakeholders.

In the recent past the Foundation, because of its low level of free reserves, has restricted investment to on-call cash deposit accounts. The Board has an investment policy that allows cash to be invested in short-term cash deposits of up to six months with criteria in place to determine the financial and ethical exposure of these deposits. The Trustees believe this approach to its cash investment is an appropriate way for the charity to hold these funds.

Risk Management

The Trustees undertake a regular review of risks facing the Fairtrade Foundation and it is an integral part of the operational management undertaken by the senior management team. The Trustees believe that through this process a wide range of risks faced by the charity have been identified, quantified and, where appropriate, action taken on a continuing basis to manage those risks. Top risks identified include potential problems with the supply of Fairtrade commodities, other certification Marks, Public Relations expose/ scandal and failure of internal and global systems.

The Trustees note that many of these risks are commercial or external ones and reflect the fact that the Fairtrade Foundation is just one component within the Fairtrade system. The Trustees have carefully considered these risks and identified appropriate strategies for the Foundation to pursue to ensure the risks are minimised.

Reserves Policy

The Trustees review the reserves policy each year as a part of the overall risk management of the Foundation. The target level of General Funds (that is, reserves that are unrestricted and not designated) is reviewed at regular intervals as part of the annual planning cycle. Two calculation methods are used to determine the target reserves levels for the following year:-

- 1) Trustees identify and consider the financial implications and likelihood of any significant risks.
- 2) A reserves target of at least three months unrestricted running costs is calculated.

The target level for General Funds is to achieve and maintain the higher of the two target levels.

At the end of 2011, General Funds were significantly lower than the target as calculated under the method above and therefore the Trustees set a lower target for General Funds for the end of 2012 of £1.8 million, in line with 10 weeks of unrestricted expenditure, the intention being to increase this to 12 weeks by the end of 2013. In fact, due to expenditure savings during 2012, the target for 2012 was exceeded and a balance of £2.1 million in General Funds was achieved.

This allowed the Trustees to create two new Designated Funds:

- 1) Pension Deficit Fund – the Foundation has a potential liability arising within the Pension Trust Growth Plan scheme. £183k has been placed in a designated fund which is the amount of the debt as at 31 December 2012, as advised by the Pensions Trust.
- 2) Investment Fund – there are a number of projects that the Foundation is considering that require resources and which could improve the lives of producers through increasing the impact of the Foundation and the movement as a whole. £390k has been placed in this fund at 31 December 2012 to be used on these projects over the life of the new strategy “Unlocking the Power of the Many”.

The fixed asset designated fund comprises the funds invested in fixed assets to allow the organisation to carry out its work effectively. At 31 December 2012, the level of this fund was £429k and included the assets disclosed in the notes to the financial statements. Because this reserve comprises fixed assets, it is not possible to utilise it elsewhere within the charity.

The Trustees have reviewed the reserves policy as at 31 December 2012 and under the policy the two calculation methods used to determine the target reserve levels for 31 December 2013 were:

- 1) Trustees identify and consider the financial implications and likelihood of any significant risks: assessment in December 2012 of the financial implications of these risks provides a target level of £1.7 million;
- 2) A reserves target of at least three months unrestricted running costs is calculated: in December 2012 this target was calculated to be £2.1 million for 2013, based on the 2013 budget.

The target level for General Funds is to achieve and maintain the higher of the two target levels, therefore £2.1 million.

The Trustees will continue to review the level of reserves so that the Foundation maintains the appropriate level of financial security required for the challenges of the years ahead.

Structure, Governance and Management

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 subsequently amended on 25 January 1994, 20 May 2003, 15 July 2006 and 30 June 2007. The organisation was initially founded in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft Exchange, and the World Development Movement, with the National Federation of Women's Institutes joining shortly afterwards – these organisations are known collectively as the Founder Members. In 2003 membership was opened up to enable other organisations to participate in the governance of the Foundation and to share their expertise and experience with us. Organisations applying for membership are expected to have either a strong development or consumer focus, and to contribute to the promotion of Fairtrade, for example amongst their own supporters. Between 2003 and 2010 nine organisations joined as members. In December 2011 the existing members elected the Fairtrade National Campaigner Committee to join membership of the Foundation. A full list of member organisations is given on page 34.

Trustee Appointment and Induction

During 2012 the foundation consulted with its members to review and amended the governance model to ensure that it remained aligned with the needs arising from new 2013-15 strategy.

The Board can comprise up to 12 Trustees who are appointed by the following process determined by the Articles of Association. Up to two positions are available to be elected by the six Founder Members and a further four positions available for election from the full membership. Formal elections take place at the Annual General Meeting where one third of the elected Board stand down by rotation. Two co-opted place are allocated to producer representatives. Elected Board members also have the power to co-opt further Trustees so long as the total number of Trustees does not exceed 12.

All Trustees are elected or co-opted for a three-year term with those co-opted subject to a six-month initial probationary period. Trustees can serve for up to six years before they are required to stand down. After a period of one year, Trustees become eligible for re-appointment again.

In filling the places available for co-option the Trustees review the skills already present on the Board and identify the key skill gaps that exist as part of drawing up the specification for potential Trustees. Increasingly the Foundation uses external advertisements to attract a full range of candidates for vacancies.

All new Trustees receive an induction pack which contains information on the history of the organisation, governance and operational structures, minutes of Trustee meetings for the previous year, relevant budgets and accounts, and Charity Commission publications on Trustee responsibilities. When a number of new Trustees start at a similar time, especially when they do not have the detailed knowledge of Fairtrade that existing Trustees possess, induction days are held to enable them to meet members of staff and to hear more about operational plans and priorities of the Foundation. In addition, Trustees are invited to a wide range of events, for example the launch of Fairtrade Fortnight and other promotional events, licensee meetings, and other stakeholder events, so that they have a wide exposure to the various stakeholders in the Foundation. Should the appropriate opportunity arise Trustees may sometimes visit producer groups to see first hand the impact of Fairtrade.

Each year the Board conducts a review of its performance including a survey of Trustees and non-trustee sub-committee members. This helps Trustees identify and assess the areas of governance structure that perform well and where improvements may be needed, and to review and consider the skills mix of the board and sub-committees.

Trustee Meetings and Board Sub Committees

The Board meets at least four times a year and has overall responsibility for the policy and strategic management of the Foundation. The main tasks of the Board are:

- Setting and maintaining the Foundation's vision, mission and values and in particular agreeing and approving the strategic plan.
- Ensuring strong links with the member organisations and the Fairtrade movement.
- Contributing creatively to the development of the Foundation, including fostering relationships with major licensees.
- Developing the Foundation's policies on trade justice and other means of poverty reduction related to the Foundation's core activity.
- Agreeing and monitoring major policies and programmes (e.g. annual plans and budgets).
- Supporting and appraising the Executive Director, and approving staffing and remuneration policies.
- Reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes, that it is managing any risks correctly and taking any remedial action needed.

The Board has four sub committees: the Executive Committee, Certification Committee, Nominations Committee and Remuneration Committee.

The Executive Committee consists of three Board members and three independent specialist advisers, one on personnel issues, one on finance matters, and one on strategic matters. The committee meets up to five times a year to:

- Monitor progress on major issues between Board meetings.
- Consider any matter specifically referred to it by the Board.
- Give first consideration to papers on strategic issues before they are submitted to the full Board.
- Monitor the development and implementation of human resource strategies and policies
- Undertake the functions of a finance committee, including:
 - Reviewing drafts of financial policies, budgets and annual accounts before they go to the Board for formal approval.
 - To meet bi-annually with the external auditors and to receive their management letter.
 - To authorise amendments to the budget in accordance with the overall budgetary authorities agreed by the Board.

The Certification Committee comprises six members – two members are appointed by the Board (of whom at least one must be a Trustee), two external experts from relevant fields of experience and two members of staff not involved with day-to-day certification work. The Committee meets six times a year to:

- Safeguard the impartiality of the Foundation's certification system and demonstrate its independence from any commercial or special interest,
- Review and check the work and decisions taken by the operational certification team,
- Seek information or advice from the Board, staff or from external advisors,
- Submit comments and recommendations to the Board relating to the policy framework in which they operate.

The Nominations Committee consists of the Chair of the Board, and at least two further Trustees of the Board, who nominate themselves and are approved by the Board. Its key responsibility is to manage the appointment of Trustees and members to the Board and its constituent committees respectively.

The Remuneration Committee consists of three Board members and a specialist adviser on personnel issues and meets at least once a year. It has overall responsibility to set remuneration, with associated terms and conditions of employment, for all staff of the organisation.

Minutes of all Committee meetings are reported to the subsequent full Board meeting so that all Trustees are informed of significant issues discussed at a subcommittee level.

Operational Management

A scheme of delegation is in place which devolves day-to-day operational management of the Foundation to the Chief Executive Officer who is supported by a senior management team consisting of a Chief Operating Officer, Director of Commercial Relations, Director of Policy and Public Affairs, Director of Public Engagement, Director of HR and Organisational Development, Director of Finance and IT and Director of Product Integrity.

During 2012 Cheryl Sloan (now known as Cheryl McGeachie), Director of Marketing returned from Maternity leave and in early 2013 John Rew joined the Foundation as Director of Finance and IT. Chris Davis, Director of Producer Partnership, left the Foundation in December 2012 as part of the structural review – he has taken up a producer support role for Fairtrade International.

The Foundation continued to provide additional financial support to Fairtrade International to support its development and commence the implementation of its strategic plan. Rob Cameron, Fairtrade International's CEO left in early 2012 and so the Foundation's Executive Director, Harriet Lamb, provided leadership and management support during the subsequent recruitment process. Harriet was also successful in being recruited as the new CEO for Fairtrade International, and she left the Foundation during the summer of 2012. Mike Gidney, the Foundation's Deputy Executive Director, was successful in being recruited to be the Foundation's new CEO from December 2012.

The Foundation also continued to make Ian Bretman its Director of Strategy and Innovation available to Fairtrade International to support the implementation of the new international strategy. He was re-elected to the Board of Fairtrade International in 2009 for a second three-year term and re-appointed by the Board to serve as Executive Vice-Chair. In this role, he led on strengthening governance and accountability of Fairtrade International and on external relationships with other parts of the Fairtrade movement. Ian Bretman left the Foundation in 2012, at the end of his term on the FI Board. The Foundation would like to thank him for his leadership in the UK and internationally during his time with Fairtrade.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under company law the Trustees 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 charitable company and of its net incoming/outgoing resources for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

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

So far as each Trustee is aware, there is no relevant audit information of which the company's auditors are unaware, and each Trustee has taken all the steps that he or she ought to have taken as a company director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

It is anticipated that a resolution to re-appoint Crowe Clark Whitehill LLP as auditor will be proposed at the forthcoming Annual General Meeting. Crowe Clark Whitehill LLP have expressed a willingness to continue as auditors.

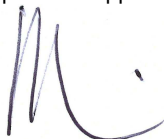
Acknowledgements

Fairtrade is one of the most successful social change stories of recent times. This success is due to the commitment and dedication of all the stakeholders in the Foundation's work – the producers, the consumers, the licensees and retail partners, the grassroots campaigners and supporters and its staff and volunteers. We particularly thank our celebrities and other volunteers for the time they freely give to promote Fairtrade to the general public.

Volunteers provide invaluable support to the Foundation. They run local events to promote knowledge of the FAIRTRADE Mark in their communities. Fairtrade Fortnight events, and others throughout the year, depend heavily on the input of an unknown number of local volunteers. In addition, approximately 100 volunteers helped in the Fairtrade office at some time during the year and provided an estimated 2,067 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.

The growth of Fairtrade reported in these accounts is testament to the hard work of all these stakeholders.

This report was approved by the Trustees on 27 June 2013 and signed on their behalf by



David Clayton-Smith
Chair of the Board
The Fairtrade Foundation
27 June 2013

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 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable 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 charitable 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 charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources, including 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

N. Hashemi
Naziar Hashemi
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
10 July 2013

St Bride's House
10 Salisbury Square
London
EC4Y 8EH

The Fairtrade Foundation
Statement of Financial Activities for the year to 31 December 2012
(including the Income and Expenditure Account)

		2012			2011
	Notes	Unrestricted £ 000	Restricted £ 000	Total £ 000	Total £ 000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Donations	2	163	33	196	103
Grants	3	734	1,231	1,965	2,281
Investment income		8	-	8	4
<i>Incoming resources from charitable activities</i>					
Licence fees		9,382	-	9,382	8,250
Sale of awareness-raising items		47	-	47	65
Other incoming resources from charitable activities	1.13 & 4	129	-	129	89
Total incoming resources		10,463	1,264	11,727	10,792
Resources expended					
Costs of generating funds	1.13 & 5	326	-	326	227
Charitable activities					
Certification and licensing		1,752	-	1,752	1,920
Market development		2,401	-	2,401	2,154
Producer and product support		1,778	788	2,566	2,824
Public education and awareness		2,934	413	3,347	3,468
Total charitable activities		8,865	1,201	10,066	10,366
Governance costs	6	186	-	186	165
Total resources expended		9,377	1,201	10,578	10,758
Net income, being net movement in funds	7	1,086	63	1,149	34
Fund balances brought forward		1,971	534	2,505	2,471
Fund balances carried forward	13	3,057	597	3,654	2,505

There were no recognised gains or losses for 2012 or 2011 other than those included in the Statement of Financial Activities. All activities are continuing. The Notes on pages 19 to 32 form part of these Financial Statements.

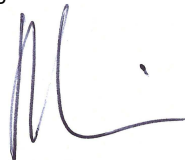
The Fairtrade Foundation

Balance Sheet as at 31 December 2012

Registered Company Number: 2733136

	Notes	2012 £ 000	2011 £ 000
Fixed assets			
Tangible assets	9	429	558
Current assets			
Stock		50	52
Debtors	10	4,385	3,901
Cash at bank and in hand		1,396	956
Total current assets		5,831	4,909
Liabilities			
Creditors: Amounts falling due within one year	11	(2,499)	(2,844)
Net current assets		3,332	2,065
Total assets less current liabilities		3,761	2,623
Creditors: Amounts falling due after one year	11	-	(27)
Provision for liabilities and charges	12	(107)	(91)
Net assets	14	3,654	2,505
Funds			
	13		
Unrestricted funds			
General funds		2,055	1,413
Designated funds		1,002	558
Total unrestricted funds		3,057	1,971
Restricted funds		597	534
Total funds	14	3,654	2,505

The financial statements were approved and authorised for issue by the Board of Trustees on 27 June 2013 and were signed below on its behalf by



David Clayton-Smith
Chair of the Board
27 June 2013

The Notes on pages 19 to 32 form part of these Financial Statements.

The Fairtrade Foundation

Cashflow Statement

for the year to 31 December 2012

	Notes	2012 £ 000	2011 £ 000
Net cash inflow from operating activities	15	585	347
Returns on investments and servicing of finance			
Interest received		8	4
Interest paid		(30)	(31)
		(22)	(27)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(123)	(32)
Financing			
(Decrease) in short term borrowings		-	(18)
Increase in cash in the year	15	440	270

The Notes on pages 19 to 32 form part of these Financial Statements.

The Fairtrade Foundation

Notes to the Financial Statements

for the year to 31 December 2012

1 Accounting Policies

1.1 Basis of preparation of accounts

The financial statements have been prepared in accordance with the Companies Act 2006, Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), applicable United Kingdom accounting standards, and under the historic cost convention.

The financial statements are prepared on the going concern basis as the Trustees consider that the charity will continue in operational existence for at least 12 months from the date of approval of the financial statements. Further information is given in the Report on page 10.

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 International (FI previously known as Fairtrade Labelling Organisations International - FLO).

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 objectives. The aim and use of each material restricted fund is set out in Note 13.

Unrestricted funds include 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 in accordance with the objectives of the charity.

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 Note 13.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income, is reasonably certain of receipt and the income can be measured with sufficient reliability.

The Foundation receives **licence fees** from companies marketing products carrying the Foundation's FAIRTRADE Mark which is the independent consumer guarantee of a better deal for producers in the developing world. 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. Fees are calculated as a percentage of the products' wholesale value and are largely invoiced quarterly in arrears. Monitoring and auditing of UK licensees is undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLO-CERT, who receive a proportion of the Foundation's licence fee income to pay for this activity.

Income from the **sale of awareness-raising items** is included when received or when invoiced, whichever is the earlier. To help promote Fairtrade, the Foundation sells a range of merchandise 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 as part of charitable expenditure to promote public awareness.

1.5 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 SOFA and include a proportion of the support costs as detailed in Note 5.

Costs of generating funds include all costs incurred in raising funds from, and reporting back to, government, European Commission, charitable trusts and foundations and individual donors.

Costs of charitable activities include all costs incurred in seeking to achieve the charity's charitable purposes. **Certification and licensing** costs include the monitoring and audit of supply chains, both in the UK and internationally, of products licensed to carry the Mark. **Market development** covers establishing and maintaining licence agreements and relationships with companies producing and distributing Fairtrade products and major retailers. **Producer and product support** is the cost of developing new products and Fairtrade standards, including the establishment of supply chains and assisting new producers to enter Fairtrade, and support provided directly to producer groups and their regional networks. **Public education and awareness** are the activities funded to promote knowledge and awareness of the FAIRTRADE Mark and the need for Fairtrade in the interests of disadvantaged producers.

Governance costs include costs attributable to the governance of the charity and those relating to compliance with constitutional and statutory requirements. The costs associated with the additional support provided to Fairtrade International towards developing and improving governance across the Fairtrade movement is also included in this category of expenditure.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Assets are included where the cost exceeds £1,000.

Depreciation is provided at 20% or 25% to write off the cost of fixed assets over their useful lives on a straight line basis starting in the year of acquisition.

1.7 Stock

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

1.8 Pensions

All staff employed by the Foundation are eligible for membership of the Growth Plan and the United Ethical Plan occupational pension schemes operated by the Pensions Trust. The schemes are contributory (the Foundation pays up to 10% of salary depending on the level of the staff member's contribution). Further details are provided in Note 19. Alternatively, the Foundation contributes up to 10% of salary (depending on the level of the staff member's contribution) to approved pension schemes nominated by eligible staff. Pension contributions are charged to the SOFA in the period to which they relate.

1.9 Operating Leases

Instalments on operating lease contracts are charged to the SOFA on a straight line basis over the lease life.

1.10 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 £39,000 (2011: £68,000).

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

1.11 Taxation

The Fairtrade Foundation is a registered charity and, as such, is exempt from taxation on its income to the extent it is applied to its charitable purposes.

1.12 Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken to the Statement of Financial Activities and recorded as a support cost.

Notes to the Financial Statements

1.13 Reclassifications during the year

In 2011, foreign currency gains were recorded as other incoming resources and losses in resources expended. In these Financial Statements, both foreign currency gains and losses are included in resources expended.

To provide comparative figures for the previous year, 2011 incoming resources and resources expended have been re-classified on the same basis. Although total incoming resources and total resources expended have been altered, net expenditure before transfers has not changed, and therefore the figures have not been restated.

2 Donations

	Unrestricted	Restricted	2012	2011
	£ 000	£ 000	Total	Total
	£ 000	£ 000	£ 000	£ 000
Triodos Bank Fairtrade Saver Account	7	-	7	6
Other donations	156	33	189	97
Total donations	163	33	196	103

The Triodos Bank income is generated through the promotion of their Fairtrade Saver Account to individual savers. Triodos Bank donates the equivalent of 0.25% of the average balance of funds held in the year and the individual savers also have the opportunity to donate a portion or all of the interest earned on the account to the Foundation.

3 Grants

	Unrestricted	Restricted	2011	2010
	£ 000	£ 000	Total	Total
	£ 000	£ 000	£ 000	£ 000
<i>Member grants</i>				
Shared Interest Foundation	-	5	5	6
United Reformed Church	1	2	3	2
Total member grants	1	7	8	8
<i>Other grants</i>				
<i>Comic Relief</i>				
Special Initiative	-	515	515	998
Climate Change Advocacy	-	35	35	80
Extending Fairtrade gold to Africa	-	324	324	-
<i>Department for International Development</i>				
Programme Partnership Agreement (PPA)	703	-	703	797
European Commission	-	190	190	180
Social Action Fund	-	124	124	-
Impetus Trust	30	-	30	75
The Staples Trust	-	25	25	-
The Co-operative Group (CWS) Limited	-	7	7	20
Morel Trust	-	2	2	3
TRAID	-	-	-	57
The Waterloo Foundation	-	-	-	25
The Marr-Munning Charitable Trust	-	-	-	14
The Rowan Trust	-	-	-	5
Vodafone	-	-	-	3
The CB & HH Taylor 1984 Trust	-	-	-	2
Unicorn Grocery	-	-	-	2
The Henry & Rebecca Tinsley Foundation	-	-	-	2
The Gibbs Charitable Trust	-	-	-	2
Other small grants	-	2	2	8
Total other grants	733	1,224	1,957	2,273
Total grants	734	1,231	1,965	2,281

4 Other incoming resources from charitable activities

	Unrestricted	Restricted	2012	2011
	£ 000	£ 000	Total	Total
	£ 000	£ 000	£ 000	£ 000
Cross border sales administration fees	33	-	33	50
Consultancy fees	92	-	92	39
Other fees and royalties	4	-	4	-
Total other incoming resources from charitable activities	129	-	129	89

Cross border sales administration fees: the Foundation invoices UK licensees for license fees due on UK and non-UK sales. National Fairtrade Organisations outside of the UK invoice the Foundation for the license fee on non-UK sales less an administration fee.

Notes to the Financial Statements

5 Resources Expended

	Direct Staff Costs £ 000	Other Direct Costs £ 000	Support Costs £ 000	2012 Total £ 000	2011 Total £ 000
Costs of generating funds	186	14	126	326	227
Charitable activities					
Certification and licensing	614	729	409	1,752	1,920
Market development	1,069	632	700	2,401	2,154
Producer and product support	421	1,909	236	2,566	2,824
Public education and awareness	1,050	1,606	691	3,347	3,468
Total charitable activities	3,154	4,876	2,036	10,066	10,366
Governance costs	98	50	38	186	165
Total resources expended 2012	3,438	4,940	2,200	10,578	10,758
Total resources expended 2011	3,661	5,075	2,022	10,758	

Other direct costs include payments made to Fairtrade International eV, FLO-CERT GmbH and other National Fairtrade Organisations around the world. Membership contributions of £1.466 million (2011: £1.427 million) support Fairtrade International's 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. Certification fees of £260,000 (2011: £245,000) are payable to FLO-CERT, an independent certification company offering Fairtrade certification services. Producer Certification Fund contributions were £187,000 (2011: £206,000); the Fund was created by Fairtrade International in 2011 to help small farmers' organisations pay for their Fairtrade certification. Producer network contributions of £225,000 (2011: nil) are distributed to producer networks by Fairtrade International. Global account management fees of £77,000 (2011: nil) are charged by Fairtrade International when they manage the contract with a licensee on behalf of National Fairtrade Organisations. Other National Fairtrade Organisations invoice their non-UK licensees for license fees due on UK and non-UK sales, and the Foundation invoices the National Fairtrade Organisations for the license fees on UK sales less administration fees of £16,000 (2011: £19,000).

5 Resources Expended (continued)

Support costs of £2.200 million (2011: £2.022 million) have been allocated across activities. Facilities costs have been allocated based on the number of staff engaged in each activity and all other costs have been apportioned based on the staffing costs of each activity in order to reflect the demands each activity makes on central support resources.

	Management £ 000	Human Resources £ 000	Finance £ 000	Information Technology £ 000	Administration £ 000	Facilities £ 000	2012 Total £ 000	2011 Total £ 000
Costs of generating funds	5	22	18	30	11	40	126	76
Charitable Activities								
Certification and licensing	16	72	58	100	36	127	409	373
Market development	29	127	102	175	63	204	700	585
Producer and product support	10	44	35	60	22	65	236	261
Public education and awareness	28	123	100	170	61	209	691	671
Total Charitable Activities	83	366	295	505	182	605	2,036	1,890
Governance costs	2	7	6	9	3	11	38	56
Total support costs 2012	90	395	319	544	196	656	2,200	2,022
Total support costs 2011	96	363	260	400	248	655	2,022	

6 Governance Costs

Activities to enable the Foundation to function as a registered charity and a company registered in England and Wales.

	2012 £ 000	2011 £ 000
Direct costs		
Trustee expenses	16	21
Fees payable to Charity's auditors for the audit of the Charity's annual accounts	18	17
Other governance costs	16	17
Staff costs	98	54
Total direct costs	148	109
Allocation of support costs	38	56
Total governance costs	186	165

No remuneration was paid to Trustees in the year (2011: Nil). Trustee expenses relate to travel expenses reimbursed for attendance at Board and sub committee meetings. £16,000 (2011: £21,000) was reimbursed to eleven Trustees (2011: ten Trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

Notes to the Financial Statements

7 Net Income

Net income is stated after charging:

	2012	2011
	£ 000	£ 000
Depreciation of fixed assets	251	230
Fees payable to Charity's auditors for the audit of the Charity's annual accounts for the current year	17	17
Fees payable to Charity's auditors for the audit of the Charity's annual accounts for the prior year	1	-
Fees payable to Charity's auditors for other services to the Charity	4	-
Operating lease rentals and service charge: land & buildings	629	617

8 Staff Costs

	2012	2011
	£ 000	£ 000
Wages and salaries	3,499	3,656
Employer's National Insurance costs	375	400
Employer's Pension contributions	219	232
Other staff costs	109	-
Agency staff	26	112
Staff costs	4,228	4,400

Staff recruitment costs	76	42
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	2012	2011
Number of employees whose emoluments fell within the band:		
£60,000 - £69,999	2	1
£70,000 - £79,999	-	1
Employer's Pension contributions (defined contribution scheme)	£6,124	£6,880

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

	2012	2011
Executive Directorate	4	5
Commercial Relations	21	21
Certification	9	10
Communications & Policy	15	19
Marketing	22	24
Producer Partnerships & Product Strategy Management	6	11
Fundraising	5	3
Support and administration	19	16
Total full time equivalent staff	101	109

9 Tangible Fixed Assets

	Office Equipment £ 000	Fixtures and Fittings £ 000	Software £ 000	TOTAL £ 000
Cost at 1 January 2012	223	235	862	1,320
Additions	31	-	92	123
Disposals	(6)	-	-	(6)
At 31 December 2012	248	235	954	1,437
Depreciation at 1 January 2012	178	188	396	762
Charge for period	21	47	183	251
Disposals	(5)	-	-	(5)
At 31 December 2012	194	235	579	1,008
Net book value at 1 January 2012	45	47	466	558
Net book value at 31 December 2012	54	-	375	429

10 Debtors

	2012 £ 000	2011 £ 000
Licence fees *	3,286	3,268
Amounts due from Fairtrade International and other National Fairtrade Organisations	637	179
Other debtors	36	118
Prepayments and accrued income	426	336
Total debtors due within one year	4,385	3,901

* Licence fees are invoiced in arrears after the licensee's quarterly returns have been received and verified. Fees invoiced in 2012 and outstanding at the year-end totalled £1.488 million (2011: £1.183 million) with the remaining £1.798 million (2011: £2.085 million) of the debtor balance, representing a provision for fees relating to 2012 sales to be invoiced during 2013.

Notes to the Financial Statements

11 Creditors

Creditors: Amounts falling due within one year	2012 £ 000	2011 £ 000
Trade creditors	730	567
Amounts due to Fairtrade International and other National Fairtrade Organisations	687	1,168
Shared Interest loan and interest payable*	487	485
Social security and other taxes	406	452
Other creditors	86	46
Accruals	103	126
Total creditors due within one year	2,499	2,844

Creditors: Amounts falling due after one year	2012 £ 000	2011 £ 000
Accruals	-	27
Total creditors due after one year	-	27

* The Foundation opened a credit facility with Shared Interest Society Ltd in 2010. The facility allows the Foundation to borrow up to £500,000 for 5 months and bears interest at the "prime rate", currently 7%. The facility was renewed in March 2013 and is in place until 31 March 2014. Interest payable during the year was £33,000 (2011: £31,000). At the year end, the balance outstanding on the credit facility was £484,000 (2011: £482,000) plus £3,000 (2011: £3,000) of interest payable for December 2012.

12 Provision for Liabilities and Charges

	Provision b/fwd £ 000	Charged to SOFA £ 000	Provision released £ 000	Provision c/fwd £ 000
Dilapidations	91	16	-	107
Total provision	91	16	-	107

13 Fund Movements

	Funds at 01 Jan 12 £ 000	Income £ 000	Expenditure £ 000	Transfers Between Funds £ 000	Funds at 31 Dec 12 £ 000
Restricted Funds					
Producer and product support					
Fairtrade for Development in Africa	326	408	(479)	-	255
Enlarging the Fairtrade Product Range	-	383	(255)	-	128
Fairtrade Model for Textiles Pilot	18	-	(18)	-	-
Cotton Supply Chains Project	40	-	(36)	-	4
Total	384	791	(788)	-	387
Public education and awareness					
Fairtrade for Development in Africa	101	142	(210)	-	33
Cotton Procurement	38	190	(56)	-	172
Fairtrade Campaigns	1	141	(137)	-	5
Smallholders Best Practice Research	10	-	(10)	-	-
Total	150	473	(413)	-	210
TOTAL RESTRICTED FUNDS	534	1,264	(1,201)	-	597
Unrestricted Funds					
Designated Funds					
Pension Deficit Fund	-	-	-	183	183
Investment Fund	-	-	-	390	390
Fixed Asset Fund	558	-	(252)	123	429
Total	558	-	(252)	696	1,002
General Funds	1,413	10,463	(9,125)	(696)	2,055
TOTAL UNRESTRICTED FUNDS	1,971	10,463	(9,377)	-	3,057
TOTAL FUNDS	2,505	11,727	(10,578)	-	3,654

Description of funds

Restricted Funds

Fairtrade for Development in Africa

The Fairtrade Foundation received two grants from Comic Relief for programmes in Africa. The Special Initiative grant is supporting capacity building of Fairtrade Africa (the network of producers in Africa) and of Fairtrade Label South Africa, the development of Fairtrade standards relevant to Africa and support on the ground for producers. In the UK, the grant supports the development of innovative new media channels linking Fairtrade producer communities with the UK public, supported by match-funding from the Allan and Nesta Ferguson Charitable Trust. A supplementary grant was also awarded by Comic Relief in 2011 to ensure that the interests of Fairtrade and vulnerable producers in general are represented in national and international policy forums related to climate change.

Enlarging the Fairtrade Product Range

This year was the first year of a three year Comic Relief grant, Extending Fairtrade gold to Africa, in support of developing small scale artisanal gold miners in Africa to access Fairtrade benefits. The Staples Trust made a grant for the production of a documentary film about the gold industry. Additional donations were received for the Innovation Fund which attracts donations from individuals and community groups and has the aim of 'bringing Fairtrade to more people through developing new Fairtrade products and working with farmers to access the benefits of Fairtrade'.

Notes to the Financial Statements

Fairtrade Model for Textiles Pilot

This pilot is one of four 'options' being explored as part of the Fairtrade International textiles strategy, looking at the opportunities and implications for developing a Fairtrade standard for textile manufacture in Fairtrade cotton supply chains. The 'option' being explored in this project is for a Fairtrade model for textiles based around the empowerment and development of workers. TRAIID (Textile Recycling Aid for International Development) fully-funded the pilot.

Cotton Supply Chains Project

Funded by TRAIID (Textile Recycling for Aid and International Development), this pilot project is working with two small-scale garment factories in India. The goal is to create sustainable supply chains between these factories and 100% Fairtrade Organisations, who would like to source their products from them, in order to scale up the impact of Fairtrade in cotton and textiles. Our immediate objective for achieving this goal is to support these factories to meet Fairtrade compliance criteria so that they can begin trading under Fairtrade terms. This will involve activities supporting them to improve their working conditions and wage levels through training in labour rights and efficient business practises, improving their reputation in supply chains and their access to markets.

Cotton Procurement

2012 was the second year of a three year project funded by the European Commission. This intervention is a collaborative project involving partners in France, Ireland, the UK and Belgium; each operating in their national spheres to encourage public sector bodies to procure Fairtrade Cotton. Activities enacted by Fairtrade Foundation in this first year have focused on building industry ties and developing written and film materials which raise awareness of Fairtrade Cotton products for use in the UK and also by our project partners across Europe.

Fairtrade Campaigns

Campaigns work in schools grew following a grant from the Social Action Fund which has allowed volunteers to be trained and then work with pupils to achieve Fairtrade status for their schools. Additionally a variety of campaigns work has supported the growing grassroots movement of individuals, local organisations and schools around the UK striving to achieve Fairtrade status by reaching targets on awareness and availability of Fairtrade products. As in previous years, Fairtrade campaigns were supported by grant funding from charitable trusts and member organisations including Commitment for Life/United Reformed Church, Shared Interest Foundation, The Co-operative Group, Morel Trust and the Souter Trust.

Smallholders Best Practice Research

A grant from the Co-operative Group (CWS) Limited helped fund research done in collaboration with a number of partner organisations into the motivations, obstacles and risks faced by UK commercial partners of sourcing from small holder farmers in developing countries. This formed part of a project to learn lessons for better sourcing practice.

Designated Funds

Pension Deficit Fund

The Foundation has a potential liability arising within the Pension Trust Growth Plan scheme. £183k has been placed in a designated fund which is the amount of the debt as at 31 December 2012, as advised by the Pensions Trust. Further details are provided in Note 19.

Investment Fund

There are a number of projects that the Foundation is considering that require resources and which could improve the lives of producers through increasing the impact of the Foundation and the movement as a whole. £390k has been placed in this fund at 31 December 2012 to be used on these projects over the life of the new strategy "Unlocking the Power of the Many".

Fixed Asset Fund

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

14 Analysis of Fund Balances held on 31 December 2012

	General £ 000	Designated £ 000	Restricted £ 000	Total £ 000
Tangible fixed assets	-	429	-	429
Current assets	4,657	573	601	5,831
Current liabilities	(2,495)	-	(4)	(2,499)
Long term liabilities	-	-	-	-
Provisions	(107)	-	-	(107)
Fund balances at 31 December	2,055	1,002	597	3,654

15 Notes to the Cashflow Statement

Reconciliation of net income / (expenditure) to operating cash flow

	2012 £ 000	2011 £ 000
Net income / (expenditure)	1,149	34
Interest receivable	(8)	(4)
Interest payable	33	31
Depreciation charge	251	230
Decrease in stock	2	3
(Increase) / decrease in debtors	(484)	229
(Decrease) in creditors excluding short term borrowings	(374)	(191)
Increase in provisions	16	15
Net cash inflow from operating activities	585	347

Analysis of net funds

	Balance at 01 Jan 2012 £	Cashflow movement £	Balance at 31 Dec 2012 £
Cash at bank and in hand	956	440	1,396
Net funds	956	440	1,396

16 Financial Commitments under Operating Leases

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

	2012 £ 000	2011 £ 000
Land & buildings – leases expiring:		
Within 1 year	-	-
In years 2 to 5	511	511
Total	511	511

17 Share Capital

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

Notes to the Financial Statements

18 Related Parties

The Fairtrade Foundation is one of the 21 National Fairtrade Organisations that are members of Fairtrade International (formerly Fairtrade Labelling Organisation International eV), the umbrella organisation based in Germany that is responsible for the international standards that underpin Fairtrade. FLO-CERT GmbH is the independent body for certifying adherence to the standards by producers. As a National Fairtrade Organisation, the Fairtrade Foundation pays membership fees to Fairtrade International and FLO-CERT and also sources external funds for Fairtrade International's work from third party donors. Details of the fees paid to Fairtrade International and FLO-CERT are given in Note 5. Additional costs of £14,000 from Fairtrade International (2011: £5,000) and £11,000 from FLO-CERT (2011: £87,000) were incurred for additional services provided to or work done on behalf of the Foundation.

As explained in the Structure, Governance and Management section of the Report of the Trustees, up to six Trustees are appointed by the members of the Fairtrade Foundation. During the year, four Trustees were employees of member organisations: Patricia Alexander (Shared Interest Society Ltd), Deborah Doane (World Development Movement), Joy Thomson (National Federation of Women's Institutes) and Paul Brannen (Christian Aid).

The Shared Interest Society Ltd (the parent company of the Fairtrade Foundation's member Shared Interest Foundation) provides the Foundation with access to a credit facility, details of which are given in Note 11. The Shared Interest Foundation provided grant support to the Foundation in the course of the year, details of which are provided in Note 3.

The Foundation purchased £3,000 (2011: £5,000) of food supplies directly from the licensee Traidcraft PLC, the parent company of Traidcraft Exchange, for use in the office and to support a Foundation staff initiative to operate a regular Fairtrade products stall within the Foundation's office. Traidcraft Exchange is a charity of Traidcraft plc, a licensee company which pays licence fees to the Fairtrade Foundation on the sales of Fairtrade marked products.

Merling Preza, from the CLAC (Latin American and Caribbean Network of Small Fair Trade Producers), Alex Yeboah-Afari and Chief Adam Tampuri (Fairtrade Africa) and Arun Ambatipudi (Network of Asian Producers) are representatives of regional Fairtrade producer groups that were on the Board of the Foundation during the year.

The Fairtrade Foundation used Andrum Ltd for consultancy services in 2012. David Clayton-Smith, the Chair of the Board of Trustees, is a partner in this company. Costs of £1,000 for training workshop facilitation were incurred in 2012 (2011: £40,000 for interim HR support and £10,000 for training workshop facilitation) with Andrum Ltd.

19 The Pensions Trust Pension Scheme (Growth Plan Series 3)

All staff employed by The Fairtrade Foundation are eligible for membership of pensions schemes operated by The Pensions Trust. The Foundation currently has 30 active members and 16 deferred members in the Growth Plan Series 3 Scheme. This is a multi-employer plan and a money purchase arrangement. The Pensions Act 2011 has retrospectively amended the definition of a money purchase scheme and as a result of the change in legislation, Growth Plan Series 3 is now categorised as a "defined benefit" arrangement rather than a "defined contribution" arrangement as previously.

The Foundation is one of several contributors to the scheme and is unable to identify its share of the scheme's assets and liabilities on a consistent and reasonable basis, as required by FRS 17 Retirement Benefits, so the scheme continues to be accounted for in these financial statements as if it were a defined contribution scheme. The accounting charge for the year therefore represents only The Fairtrade Foundation's employer contributions payable.

The latest formal valuation of the Growth Plan Series 3 was performed as at 30 September 2011 and this showed the Plan to have a solvency / buy-out funding level of 77.3% (deficit of £234.3 million overall). Until the recent change in the definition of "defined contribution / money purchase", employers that had only ever participated in Series 3 had no debt liability. However, now that Series 3 liabilities must be included in the calculation of an employer's debt on withdrawal, all participating employers have a debt liability. The Fairtrade Foundation receives quarterly updates from the Plan's actuary on the funding level and its potential employer debt if it were to withdraw from the scheme. The amount of the employer debt on withdrawal liability for the Foundation as at 31 December 2012 was estimated by the Pensions Trust to be £183,000. This debt liability will not crystallise as long as the Foundation continues to employ an active member of the Scheme; however £183k has been placed in a designated fund in order to be able to satisfy the debt should it crystallise.

19 The Pensions Trust Pension Scheme (Growth Plan Series 3) (continued)

The Fairtrade Foundation paid contributions of up to 10% of active members' salaries during the accounting period (£234,000 in 2012; £167,000 in 2011). The Plan Trustee has indicated that additional contributions from participating employers are required from April 2013. The Fairtrade Foundation's contribution is £1,000 per annum.

Reference And Administrative Information

The Fairtrade Foundation

Reference and Administrative Information

Legal status

A company without share capital limited by guarantee registered number 2733136

Registered address

3rd Floor, IBEX House
42 – 47 Minories
London EC3N 1DY

Registered charity number

1043886

Directors/Trustees

Alex Yeboah-Afari ³⁴	Resigned December 2012
Patricia Alexander ACA (Treasurer) ¹	Re-appointed in January 2013
Arun Ambatipudi	Re-appointed in December 2012
Paul Brannen	Resigned December 2012
David Clayton-Smith (Chair) ^{1 3 4}	Re-appointed in December 2012
Deborah Doane ⁴	Re-appointed in January 2013
Melissa Duncan ^{1 4} (Vice-Chair)	Re-appointed in January 2013
Diana Holland	Resigned December 2012
Joe Human	Resigned December 2012
Simon Maxwell ³	Re-appointed in March 2013
Merling Preza	Term ended in December 2012
Rebecca Rowland ²	Appointed January 2013
Nabilai Suma ²	Appointed January 2013
Barney Tallack ³	Appointed January 2013
Chief Adam Tampuri	Appointed December 2012
Joy Thomson ²	Resigned December 2012

Independent Committee Members

Richard Gough ¹
Maria Standingford ^{1 3}
David Krucik ¹
Simon Wright
Hannah Turner
John Dalby

¹ Member of Executive Committee

² Member of Certification Committee

³ Member of Remuneration Committee

⁴ Member of Nominations Committee

Senior Management

Harriet Lamb CBE	(Executive Director) – left September 2012
Mike Gidney	(Deputy Executive Director) to November 2012 becoming (Chief Executive Officer) from December 2012
Tim Gutteridge	(Chief Operating Officer)
Ian Bretman	(Director of Strategy & Innovation) – left June 2012
Ashish Deo	(Director of Commercial Relations)
Barbara Crowther	(Director of Policy and Public Affairs)
John Tashiro	(Interim Director of Marketing) January 2011 – March 2012
Cheryl McGeachie	(Director of Public Engagement) - returned from maternity leave February 2012
Chris Davis	(Director of Producer Partnerships) - left December 2012
David Meller	(Director of Product Integrity)
Martyn Dicker	(Director of HR and Organisational Development)
John Rew	(Director of Finance & IT) - joined March 2013

Company Secretary

Tim Gutteridge

Member Organisations

Banana Link
CAFOD #
Christian Aid #
Methodist Relief and Development Fund
National Federation of Women's Institutes #
Nicaragua Solidarity Campaign
Oxfam #
People & Planet
Scottish Catholic International Aid Fund (SCIAF)
Shared Interest Foundation
Soroptimist International of Great Britain and Ireland
Tearfund
Traidcraft Exchange #
Commitment for Life/United Reformed Church
World Development Movement #
National Campaigner Committee

indicates founder member status

Bankers

CAF Bank Ltd
Kings Hill
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ME19 4TA

The Co-operative Bank
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DLA Piper (Pro Bono)
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London
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Auditor

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