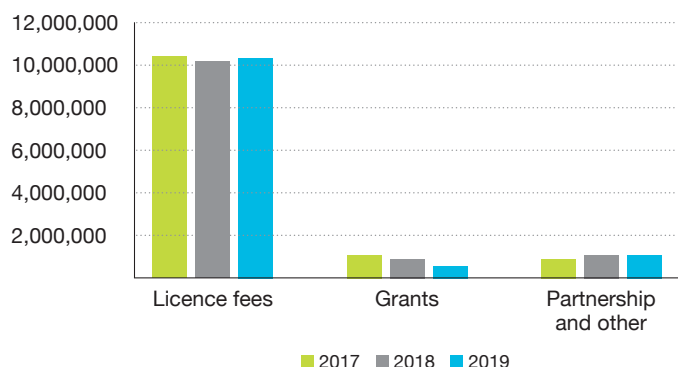


FINANCIAL REVIEW



FINANCIAL PERFORMANCE

Trend in income



Total incoming resources in 2019 decreased by two percent to £12.0 million from £12.2 million, with a substantial increase in donations (£131,000) and a small increase in licence fee revenue (£57,000) offset by decreases in restricted grants (£296,000) and Partnership and other income (£124,000).

Licence fees continue to represent the majority of total income (2019: 86 percent; 2018: 84 percent). Licence fee income increased by one percent to £10.3 million (2018: £10.2 million). Fundraised income from grants and donations decreased by 16 percent to £0.8 million (2018: £1.0 million) largely due to the final year income of the EC Development Education and Awareness Raising grant not being recognised in the year as entitlement will be achieved upon satisfactory receipt of our final year report in September 2020. Other significant movements between 2018 and 2019 include the completion of certain grants (see note 4 for details) offset by a large legacy donation and new grants such as the flowers programme in Ethiopia to improve labour relations amongst workers, and the North East India Tea Research programme, which aims to explore measures that would support better economic outcomes for workers on tea plantations in India.

We continue to explore ways of diversifying our income streams and reducing our reliance on licence fees. To this end, we are investing in public fundraising and new ways of working with businesses and other stakeholders, including Mondelez International and Mars.

Total expenditure was flat at £11.2 million and comprised:

- An increase of £0.6 million in the amount spent on 'Focus on Impact', reflecting the Fairtrade strategy of moving more funds to the South through increased fees to our producer networks. This was offset by:
- A reduction of £0.5 million on 'Improve and Innovate' due to a staggered reduction in the certification transition subsidy we pay and a significant reduction in the associated support costs.
- A reduction of £0.2 million in the amount spent on 'Make Fairtrade Personal' largely due to a reduction in the associated support costs.

Of the total expenditure, charitable expenditure represented 95 percent and the cost of raising funds was five percent (2018: 96 percent, four percent). We continue to invest in public fundraising as part of the strategy noted above of seeking to reduce our reliance on licence fees by diversifying our sources of income. It should be emphasised that the impact of Fairtrade is not just the direct charitable expenditure. Lives of producers are significantly improved by access to guaranteed Fairtrade Minimum Prices and Premium.

Total funds increased by 14 percent to £6.4 million from £5.6 million. Restricted funds decreased to £420,000 from £777,000. Unrestricted funds increased by 24 percent to £6.0 million from £4.8 million. Included within unrestricted funds is £750,000 which the trustees have designated to a Fairtrade Future Fund to support strategic projects in developing and implementing our 2021 – 2025 strategy.

Trustees and management conduct quarterly reviews of financial trends and the assumptions used in forecasting financial performance for at least the next 12 months. They consider the charity remains a going concern, particularly this year having taken into consideration the impact of COVID-19.

INVESTMENT POLICY

The Memorandum and Articles of Association allow the Fairtrade Foundation to invest funds not immediately required as the Trustees think fit. The Board has an investment policy that allows cash to be invested in short-term cash deposits of up to six months. All investments are subject to financial and ethical criteria. Due to the level of cash reserves, the Foundation has only invested in on-call cash accounts.

RESERVES POLICY

The Trustees review the reserves policy each year as part of the overall risk management of the Foundation. The target level of reserves is reviewed as part of the planning and statutory reporting cycles. Reserves are needed for working capital and to cover temporary shortfalls in income and unforeseen increases in expenditure so that the charity can continue to operate at all times. The Trustees have reviewed the reserves policy as at 31 December 2019. Under the policy, the target reserves level is based on the higher of:

1. A risk-based calculation of £4.8 million (2018: £3.9 million), based on the financial implications and likelihood of significant risks; and
2. 12 weeks' of unrestricted expenditure; £2.4 million (2018: £2.3 million).

Free reserves, excluding fixed assets (£0.2 million) and designated funds (£0.8 million), as at 31 December 2019 were £5.0 million (2018: £4.5 million) and were therefore four percent above the minimum level set by the reserves policy. Trustees consider that given the significant uncertainty facing the economy, our licensees and Fairtrade consumers from COVID-19 and Brexit, together with the financial impact of other principal risks and uncertainties noted in the next section below, that it is prudent to hold a level of reserves which is higher than the policy to ensure stability over the coming year. The level of reserves is monitored quarterly by the Trustees.

Cash is also a limiting factor. The majority of income is from licence fees which are invoiced in arrears. Therefore cash balances are not always correlated with reserves. Cash balances increased in the year to £4.9 million from £3.5 million, of which £420,000 (2018: £712,000) was restricted funds. Cash flow forecasts are prepared regularly and future cash needs are taken into account when setting reserves targets and budgets.

Note 17 of the Notes to the Financial Statements provides a description of the Foundation's restricted and designated funds.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The Trustees undertake a regular review of risks and opportunities facing the Fairtrade Foundation, and the risk register is reviewed at each quarterly Finance and Audit Committee and Board meeting. The management of risk is an integral part of the Senior Leadership Team's management responsibilities. The Trustees believe that through this process a wide range of risks have been identified, quantified and, where appropriate, action taken on a continuing basis to manage those risks. The Trustees have reviewed the risks and consider the strategies for mitigating the risks to be appropriate. One method of combating risks and uncertainties used by the Trustees is through financial forecasting and scenario planning, and holding appropriate levels of reserves and cash, giving time to respond to situations as they arise.

PRINCIPAL RISKS

The impact of COVID-19 – the short, medium and long-term impact of COVID-19 is still unknown. In an operational sense, the Foundation was well set up to work remotely, effectively and efficiently when the lockdown in the UK occurred, and we were already doing so, with the office closed before this was formally mandated by the UK government. The Foundation has business continuity plans in place identifying critical functions, people and skills and how to manage if there is widespread illness. In a financial sense, our income is reliant on the performance of our licensees, some of which are more affected than others (for example closure of out of home outlets will have affected coffee licence income, offset by increased sales at supermarkets and other retailers). There may be longer term effects on the supply of Fairtrade goods into the UK depending on specific circumstances in different countries and different supply chains. We also anticipate that the impact of COVID-19 on Fairtrade producers themselves will be significant, and are working with our producer networks to support and mitigate where it is possible and will continue to do so. We have modelled various scenarios and, as we have strong levels of reserves, the Trustees believe that the Foundation continues as a going concern and can prepare these accounts on that basis. The situation is being monitored on a weekly basis and forecasts updated as more information becomes available.

Data and information – a co-ordinated global data and digital information strategy for the future is key, and is an integral part of the upcoming 2021 – 2025 strategy. The global Fairtrade system is in the middle of a multi-year project to create a data warehouse and business information tool, which is the first strand of a data and digital information strategy. The project is making satisfactory progress to date, however delays in this area could put us at a significant disadvantage and it is a global priority to address any such delays as and when they arise. Significant resources are being put into ensuring that our data and information tools are appropriate and fit for purpose to ensure we can provide all relevant stakeholders with information and insight to support and drive Fairtrade commitments.

Income diversification – as has been the case over the last few years, we face increasing challenges and pressure on our licence fee income, which remains our predominant income stream. To minimise this, we are focusing resource on exploring new ways of working with businesses and other stakeholders. We continue to work in new and innovative ways with our commercial partners and programmatic donors to create more impact for producers through traditional programmes and in selling our expertise.

The UK economy and grocery market – the continued pressure on retailers to reduce prices threatens sales of Fairtrade products as retailers are examining ways to reduce costs. This presents a risk to producers and workers that the market for their products will reduce and a risk for the Foundation that income will fall. This is mitigated by maintaining close relationships with retailers and licensees and by continually demonstrating the commercial value to their businesses – in addition to the benefit of Fairtrade to producers and workers. We continue to maintain and increase the awareness of the value of Fairtrade with the public.

Brexit – we are now in the transition period and it is as yet unknown whether this will be completed by 31 December 2020. Brexit presents risks for Fairtrade and there will be continued uncertainty for the foreseeable future. Income for both producers and workers and the Foundation could be affected by companies switching their sourcing arrangements, ending long-term relationships with suppliers; the burden of increased tariffs and other costs being pushed down onto producers and workers (ie lower purchasing prices, lower wages); currency devaluation hitting Fairtrade companies importing from developing countries; and companies stepping back from Fairtrade commitments resulting in smaller volumes being bought on Fairtrade terms, less Fairtrade influence on issues such as living wages, and less investment in programmes. Our policy and advocacy team are working hard to raise issues in the appropriate governmental forums to protect producers and workers from the risks arising out of Brexit.

Governance and structure – the Fairtrade movement is made up of a number of organisations across the world, representing different needs and perspectives. This leads to a richness and depth of knowledge; for example, giving producer organisations a voice to lead the future of Fairtrade. It also naturally increases the risk that changes become difficult to make or decision-making too complicated. However, this is mitigated through various cross-movement groups, including representatives of the movement's organisations.

Reputation – although the FAIRTRADE Mark was 25 years old in 2019, Fairtrade is still a relatively new and bold approach to tackling poverty and therefore there are rightly regular investigations into its effectiveness. Fairtrade will continue to prioritise investment in Monitoring, Evaluation and Learning work to ensure that we are able to make accurate claims of success, learn from experience, are open and constructive when challenges are brought to light, and continue improving to maximise impact for producers and workers. We have a supply chain risk management process which enables us to monitor risks in supply chains, working closely with our producer networks. We are working internationally across the Fairtrade global system to address how we position Fairtrade in the market, demonstrate our differentiation from other certification schemes and leverage the fact that Fairtrade is the most recognised ethical scheme in the UK.

STRUCTURE, GOVERNANCE AND MANAGEMENT



THE ORGANISATION OF THE CHARITY

The Fairtrade 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 in January 1994, May 2003, July 2006, June 2007, October 2012, January 2017 and December 2019. The organisation was founded in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft Exchange and the World Development Movement. The National Federation of Women's Institutes joined 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. Organisations applying for membership are expected to have either a strong development or consumer focus, and to contribute to the promotion of Fairtrade. A full list of member organisations is given on page 31.

TRUSTEE APPOINTMENT AND INDUCTION

The Board can comprise up to 12 Trustees (and no less than nine) who are appointed by the process determined by the Articles of Association. Up to six positions are available to be elected by the full membership. Two further places are available to be nominated by the producer networks (and if not filled, a candidate for one of those places can be nominated by a Fairtrade entity outside the UK) and a further four places may be co-opted by the Board. Formal elections take place at the annual general meeting where one third of the elected Board stand down by rotation. Trustees are elected or co-opted for a three-year term. Trustees can serve for up to nine years before they are required to stand down. After a period of one year, Trustees become eligible for reappointment again. Trustees review the existing skills and identify key skill gaps as part of drawing up the specification for co-opting potential Trustees. The Foundation advertises externally to attract a full range of candidates.

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. In addition, Trustees are invited to staff induction days and a wide range of events, for example during Fairtrade Fortnight and other promotional events, licensee meetings and stakeholder events. Should the appropriate opportunity arise, Trustees may visit producer groups to see first-hand the impact of Fairtrade. The Board conducts an annual review of its performance, including a survey of Trustees. This helps Trustees identify and assess the areas of governance 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.
- Supporting and appraising the Chief Executive, and approving staffing and remuneration policies.
- Approving annual plans and budgets; and reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes.
- Ensuring that it is identifying and managing any risks appropriately. The Board has four sub-committees: the Finance and Audit Committee; the Nominations Committee; the Partnerships Committee; and the People, Safeguarding and Remuneration Committee.

The Finance and Audit Committee consists of between three and five Trustees, and meets a minimum of four times a year.

Duties include the following:

- Considering strategic issues, including planning and risk.
- Reviewing drafts of financial policies, budgets and annual accounts.
- Reviewing the management accounts and statutory accounts.
- Monitoring the development, implementation and compliance of IT and Finance strategy and policies.
- Monitoring and advising on internal financial controls.

These functions and activities do not absolve the full Board of Trustees of its legal responsibilities.

The Nominations Committee consists of the Vice-Chair of the Board, and at least two further Trustees of the Board, who 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 People, Safeguarding and Remuneration Committee consists of four Board members and has overall responsibility to set remuneration, with associated terms and conditions of employment, for all staff of the organisation, including directors.

The Partnerships Committee is an adhoc Committee, which consists of three Board members plus two external advisory members and advises the management on any partnership opportunities the Foundation has under consideration.

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 sub-committee level.

OPERATIONAL MANAGEMENT

A scheme of delegation is in place which devolves day-to-day operational management of the Foundation to the Chief Executive, who is supported by a senior management team consisting of a Chief Financial Officer, Commercial Director, Director of Public Engagement and Director of Impact.

REMUNERATION

The Fairtrade Foundation is a unionised organisation and we recognise the Union for collective bargaining. The charity negotiates annually with the Union on salary and remuneration terms and conditions. The suggested pay award is ratified by the People, Safeguarding and Remuneration Committee. The Foundation uses the Croner Job Evaluation system for benchmarking to set grades and associated pay scales for all posts, which includes all directors' posts. We aspire to pay at least median market rate for all grades, and these are benchmarked against similar size and type of organisations, comparing to both sector and financial turnover. We ensure that our highest salary is no more than five times more than the lowest salary. Some technical specialists can command a market premium. A market premium is only considered if there has been recruitment and/or retention difficulties and benchmark data confirms the need for a market premium. The decision to pay a market premium is approved by the People, Safeguarding and Remuneration Committee.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the report of the Trustees, the strategic report 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.
- Observe the methods and principles in the Charities SORP.

- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

FUNDRAISING

We comply with all relevant statutory regulations and we strive for best practice in fundraising, by complying with a range of codes of practice and standards. This includes being a member of the Institute of Fundraising and registering with the Fundraising Regulator, adhering to its Code of Fundraising Practice. We do not engage with any professional fundraisers nor any other commercial participator to fundraise on our behalf. We closely monitor the quality of our fundraising work and received no complaints during 2019.

Our fundraising approaches have historically been limited – mainly focused on donations from existing supporters, schools and volunteer groups. In 2019 we launched a committed giving scheme (the Live Fair box) to offer supporters another way to be part of the Fairtrade movement. We continue to work with data protection experts and consultants to ensure that we have an unbiased public-facing approach in how we respect people's privacy and their preferences. This includes safeguards to preclude us requesting donations from vulnerable people.

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 in this report.

CHARITY GOVERNANCE CODE

The Fairtrade Foundation takes its governance responsibilities seriously and aims to have a governance framework that is fit for purpose, compliant and efficient. In 2019 the Foundation commissioned the NCVO to conduct an assessment of the Foundation's compliance against the Charity Code of Governance. The NCVO assessment was that the Foundation's compliance level was high and it was 'achieving competence' against the standards established in the Code. Particular highlights were in leadership and integrity, and areas for improvement were Diversity and Openness. A development plan has been made to maintain the high performance and address the small number of gaps identified, including but not limited to:

- considering diversity more significantly at the point of Trustee recruitment,
- carrying out a diversity audit
- increasing visibility of Trustees on the Foundation's website
- tailoring a Trustee Code of Conduct
- continuing to assess compliance against the Governance Code on an annual basis

SAFEGUARDING

Safeguarding means protecting peoples' health, wellbeing and human rights, and enabling them to live free from significant harm, physical and emotional abuse, neglect and exploitation of any kind, including consequences of any misuse of personal data. We work to ensure we are protecting children and vulnerable adults from harm that arises from coming into contact with our staff, associated personnel or programmatic work on the ground. We work with Fairtrade International through their Protection Policy and Procedures for Children and Vulnerable Adults to act to protect any person from abuse, exploitation and neglect occurring in Fairtrade operations system-wide.

We are committed to the protection of people from abuse, exploitation and neglect, and we always take immediate action to follow up on a concern or an allegation about a person's safety and wellbeing. We are committed to supporting children's rights to survival, development, protection, and participation. Similarly, we are also committed to protecting vulnerable adults from significant harm as defined in Fairtrade Standards relating to Forced Labour, Gender Based Violence and Harassment. We believe that protection of children and vulnerable adults is both a corporate and an individual responsibility, and every person who undertakes and/or shares in the work of the Foundation also shares in the responsibility to take every precaution to protect the children and vulnerable adults we directly or indirectly serve.

The Foundation has safeguarding focal points who monitor safeguarding concerns throughout the organisation and ensure that we have taken appropriate action to keep people safe.

We have a Protection and Safeguarding Policy and Code of Conduct in the UK, which states the Foundation will not tolerate abuse and exploitation by staff or associated personnel and is aligned to DFID's 'zero tolerance' stance. A member of the Board acts as safeguarding lead and safeguarding is a standing item at Board meetings. All staff and Trustees have received safeguarding training, safeguarding is part of staff induction and safeguarding is embedded into the start of any new donor-funded programme with our partners. We have introduced DBS (criminal records checks) through an external provider, and have embedded a process for undertaking checks on new and existing roles that require it. We work with our commercial partners to ensure they also have policies and procedures in place. Our own policies and procedures have been reviewed by the Charity Commission and no issues were found.

Internationally, we supported the development of a system-wide Fairtrade Global Organisation Code and its associated assurance framework, policies and guidance manual.

Through the improvements made to policy and reporting procedures, we have increased staff awareness of our safeguarding policies and practices and increased confidence in reporting safeguarding matters. In 2019, there were zero whistleblowing complaints, and 24 safeguarding cases raised, with three reports to the Charity Commission. All of the cases reported to the Charity Commission have now been closed, with the confirmation that the matters have been dealt with appropriately and responsibly.

STATEMENT AS TO DISCLOSURE TO AUDITORS

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.

Through the improvements made to policy and reporting procedures, we have increased staff awareness of our safeguarding policies and practices and increased confidence in reporting safeguarding matters. In 2019, there were zero whistleblowing complaints, and 24 safeguarding cases raised, with three reports to the Charity Commission. All of the cases reported to the Charity Commission have now been closed, with the confirmation that the matters have been dealt with appropriately and responsibly.

DIVERSITY

The Fairtrade Foundation is proud to be a Living Wage employer and an equal opportunities employer, committed to attracting and appointing a diverse workforce, and aims to have a workforce that is representative of all sections of society. We're focusing on improving all aspects of the People Agenda, including Diversity and Inclusion. 60 percent of our most senior leadership are female.

ACKNOWLEDGEMENTS

The success of Fairtrade is due to the commitment and dedication of all the stakeholders in the Foundation's work – the producers, consumers, licensees and retail partners, the grassroots campaigners and supporters, staff and volunteers. We particularly thank our volunteers and celebrities for the time they freely give to promote Fairtrade. Campaigners provide invaluable support to the Foundation. They run events to promote knowledge of the FAIRTRADE Mark. Fairtrade Fortnight and other events also depend heavily on the input of many volunteers. A total of 44 volunteers helped in the Fairtrade office or remotely at some time during the year, and gave 4,532 hours to the organisation.

TRUSTEE CHANGES

Brenda Achieng has stood down as a Trustee since the last report, and we have no new appointments since the last report.

This report, including the strategic report, was approved by the Trustees of the Fairtrade Foundation on 18 June 2020, in their capacity as company directors, and signed on its behalf by

A handwritten signature in dark ink, appearing to read 'Mark Price', written in a cursive style.

Lord Mark Price,
Chair of Trustees

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FAIRTRADE FOUNDATION



OPINION

We have audited the financial statements of the Fairtrade Foundation for the year ended 31 December 2019, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

IN OUR OPINION THE FINANCIAL STATEMENTS:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2019 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

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

- adequate 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.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

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 charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor

25 June 2020

For and on behalf of
Crowe U.K. LLP
Statutory Auditor

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

The Fairtrade Foundation
Statement of financial activities for the year ended 31 December 2019
(including the Income and Expenditure Account)

	Notes	2019 Unrestricted £000	2019 Restricted £000	2019 Total £000	2018 Total £000
Income from:					
Donations and legacies	2	266	-	266	135
Grants	4	-	595	595	891
Investment income		3	-	3	1
Charitable activities					
Licence fees		10,279	-	10,279	10,222
Partnership and other income	5	775	60	835	959
Total income		11,323	655	11,978	12,208
Expenditure on:					
Raising funds	6	507	-	507	474
Charitable activities					
Focus on Impact		4,703	695	5,398	4,792
Improve and Innovate		2,594	32	2,626	3,136
Make Fairtrade Personal		2,368	285	2,653	2,826
Total charitable activities		9,665	1,012	10,677	10,754
Total expenditure		10,172	1,012	11,184	11,228
Net income/(expenditure), being net movement in funds	9	1,151	(357)	794	980
Reconciliation of funds:					
Fund balances brought forward		4,848	777	5,625	4,645
Fund balances carried forward	17	5,999	420	6,419	5,625

The breakdown of 2018 figures between restricted and unrestricted funds is shown in Note 19.

There were no recognised gains or losses for 2019 or 2018 other than those included in the Statement of Financial Activities. All activities are continuing. The Notes on pages 16 to 29 form part of these financial statements.

The Fairtrade Foundation

Balance Sheet as at 31 December 2019

	Notes	2019	2018
		£000	£000
Fixed assets			
Intangible assets	11	39	126
Tangible assets	12	206	268
Current assets			
Stock		5	11
Debtors	13	4,320	4,511
Cash at bank and in hand		4,912	3,472
Cash at bank – held as agent		-	3
Total current assets		9,237	7,997
Liabilities			
Creditors: amounts falling due within one year	14	(2,408)	(1,859)
Net current assets		6,829	6,138
Total assets less current liabilities		7,074	6,532
Creditors: amounts falling due after one year	14	(306)	(158)
Provision for liabilities and charges	15	(349)	(749)
Net assets		6,419	5,625
The funds of the charity:			
General funds	17	5,004	4,454
Designated funds – Fairtrade Future		750	-
Designated funds – Fixed Assets		245	394
Unrestricted funds		5,999	4,848
Restricted funds		420	777
Total funds		6,419	5,625

The financial statements, including the balance sheet, were approved and authorised for issue by the Board of Trustees on 18 June 2020, and were signed below on its behalf by

Mark Price
Chair of the Board
Company number: 2733136
18 June 2020



The Fairtrade Foundation

Statement of cash flows for the year to 31 December 2019

	Notes	2019	2018
		£000	£000
Cash flows from operating activities			
Net cash provided by operating activities	20	1,448	885
Cash flows from investing activities			
Purchase of property, plant and equipment		(11)	(363)
Change in cash and cash equivalents in the year		1,437	522
Cash and cash equivalents at 1 January	20	3,475	2,953
Cash and cash equivalents at 31 December	20	4,912	3,475

The Fairtrade Foundation

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies

1.1 Company information

The Fairtrade Foundation is a Public Benefit Entity registered as a charity in England and Wales and a company limited by guarantee. It was incorporated on 21 July 1992 (company number: 2733136) and registered as a charity on 3 February 1995 (charity number: 1043886).

1.2 Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Companies Act 2006 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – effective 1 January 2015.

The functional currency of the Foundation is considered to be GBP because that is the currency of the primary economic environment in which the Foundation operates.

After reviewing the Foundation's forecasts and projections, including taking into consideration the impact of COVID-19, the Trustees have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. The Foundation therefore continues to adopt the going concern basis in preparing its consolidated financial statements. There are no material uncertainties about the charity's ability to continue.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

In the view of the Trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

1.3 Fund accounting

Restricted funds arise from grants and donations given to the Fairtrade 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 17.

Unrestricted funds include the general funds of the Foundation (including fixed assets) and arise from surpluses of income over expenditure which may be used at the discretion of the Trustees in accordance with the objectives of the charity.

Designated funds comprises unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of the designated fund is set out in Note 17.

1.4 Income

All income is included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income, receipt is probable 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 means producers and businesses have met internationally agreed standards which have been independently certified. The fees contribute to the costs of work to increase our impact in the global south by increasing the volume of commodities sold on Fairtrade terms, increasing the number of farmers and workers who benefit from work on climate change, gender, productivity and hired labour and the costs of public education and awareness-raising work. Fees are either calculated as a percentage of the products' wholesale value or based on the volume of the Fairtrade commodity sold, and are largely invoiced quarterly in arrears. Licence fee is recognised in the period the sale is made by the licensee. Monitoring and auditing of all UK licensees in 2019 was undertaken directly by FLOCERT.

Donations and grants will be recognised on a receivable basis, where there are no performance-related conditions, where the receipt is probable and the amount can be reliably measured.

Donated services are included as 'other income' at their estimated value to the charity when received, and under the appropriate expenditure heading depending on the nature of the service provided, at the same value and time.

Partnership and other income is included as earned in line with the satisfaction of the contract and underlying services.

1.5 Expenditure

All expenditure is included on an accruals basis. All costs have been attributed to one of the categories of resources expended in the Statement of Financial Activities and include a proportion of the support costs as detailed in Note 6. Support costs have been apportioned 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.

Governance costs are included within support costs. They 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.

Raising funds includes all costs incurred in raising funds from, and reporting back to, government, the 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.

Focus on Impact includes the cost of establishing and supporting supply chains, and support provided directly to producer groups and their regional networks.

Improve and Innovate includes the monitoring and audit of supply chains of products which are licensed to carry the FAIRTRADE Mark, both in the UK and internationally, establishing and maintaining licence agreements and relationships with companies producing and distributing Fairtrade products, and the cost of exploring new markets and ways of working in order to deepen our impact for producers.

Make Fairtrade Personal includes the activities funded to promote knowledge and awareness of the FAIRTRADE Mark and the need for Fairtrade in the interests of disadvantaged producers. It aims to deepen the emotional commitment to Fairtrade, and to our mission of fighting poverty through trade.

1.6 Intangible fixed assets

Intangible fixed assets represent software costs capitalised in accordance with FRS102. These are stated at historical cost and amortised on a straight-line basis over the period for which revenue is expected to be generated (typically four years).

Amortisation is recognised in the Statement of Financial Activities as part of expenditure and is allocated across the expenditure headings on the same basis as support costs.

1.7 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 percent or 25 percent (depending on the nature of the asset) in order to write off the cost of fixed assets over their useful lives on a straight-line basis. A full year of depreciation is taken in the year of acquisition.

Depreciation is recognised in the Statement of Financial Activities as part of expenditure and is allocated across the expenditure headings on the same basis as support costs.

1.8 Stock

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

1.9 Pensions

All staff employed by the Fairtrade Foundation are eligible for membership of a defined contribution group personal pension plan.

The scheme is contributory (the Foundation pays up to 10 percent of salary depending on the level of the staff member's contribution). Pension contributions are charged to the Statement of Financial Activities in the period to which they relate. Further details are provided in Note 22.

1.10 Redundancy/termination payments

Redundancy and termination payments are accounted for in the period in which they are agreed or communicated with the other party.

1.11 Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

1.12 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 £43,000 (2018: £60,000).

This irrecoverable VAT is included in the appropriate categories of expenditure within the Statement of Financial Activities.

1.13 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.

1.14 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.

1.15 Provisions

Provisions are recognised when the charity has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

1.16 Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors.

A specific provision is made for debts for which recoverability is in doubt.

Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital.

Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

Assets and liabilities held in foreign currency are translated to GBP at the balance sheet date at an appropriate year end exchange rate.

2 Donations and legacies

	Unrestricted £000	Restricted £000	2019 Total £000	2018 Total £000
Triodos Bank Fairtrade Saver Account	6	-	6	6
Legacies	81	-	81	8
Other donations	179	-	179	121
Total donations	266	-	266	135

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 percent 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 Use of volunteers

Additional resources were provided by 44 general unpaid volunteers who contributed a total of 4,532 hours of work in the year, and two seconded staff who were with us for up to six months each. Volunteers provided administrative support, research, project management, media, supply chain, and campaigning support. These contributions are highly valued by the charity but, in line with the Charities SORP, are not recognised in the accounts due to difficulties in measuring their value.

4 Grants

	2019 Total £000	2018 Total £000
Comic Relief		
Gold IMPACT Programme	133	219
EPRM		
Improved ASMO Access to Finance	121	119
Fairtrade International		
Cocoa living income work	128	-
Fairtrade International, Fairtrade Germany and Ethical Tea Partnership		
NE India Tea Research Project	65	-
European Commission		
EC DEAR project	-	298
Jersey Overseas Aid Commission (JOAC)		
Sugar	-	27
RVO		
Gold Uganda	25	-
Aldi		
Aldi Flowers Programme Ethiopia	50	-
Department for International Development		
Rate project	-	58
National Union of Students		
Textile standard training programmes	20	-
Digital classroom project	10	-
Fairtrade University Awards	6	-
Traid	37	30
GenesisTrust	-	50
Humanity United	-	79
Big Lottery fund	-	7
Ethical Trading Initiative	-	4
Total grants	595	891

All grants in 2019 are restricted.

5 Partnership and other income

	Unrestricted £000	Restricted £000	2019 Total £000	2018 Total £000
Cross-border sales administration fees	370	-	370	248
Consultancy fees	67	-	67	72
Expertise and commercial partner-funded programmes	299	60	359	548
Other fees and royalties	22	-	22	72
Sale of awareness-raising items	17	-	17	19
Total partnership and other income from charitable activities	775	60	835	959

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

6 Expenditure

	Direct staff costs £000	Other direct costs £000	Support costs £000	2019 Total £000	2018 Total £000
Raising funds	311	55	141	507	474
Charitable activities:					
Make Fairtrade Personal	1,277	799	577	2,653	2,826
Improve and Innovate	1,370	637	619	2,626	3,136
Focus on Impact	859	4,151	388	5,398	4,792
Total charitable activities	3,506	5,587	1,584	10,677	10,754
Total expenditure in 2019	3,817	5,642	1,725	11,184	11,228
Total expenditure in 2018	3,564	5,022	2,642	11,228	

Other direct costs and support costs include payments made to Fairtrade International eV, FLO-CERT GmbH and other national Fairtrade organisations around the world. Membership contributions of £1.4 million (2018: £2.0 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 £330,000 (2018: £341,000) are payable to FLOCERT, an independent certification company offering Fairtrade certification services.

Producer network contributions of £1.7 million (2018: £973,000) are distributed to producer networks by Fairtrade International. Contributions of £319,000 (2018: £241,000) were made to the system-wide project fund to fund projects with a global benefit.

Other national Fairtrade organisations invoice their non-UK licensees for licence fees due on UK and non-UK sales, and the Foundation invoices the national Fairtrade organisations for the licence fees on UK sales less administration fees of £32,000 (2018: £33,000).

Support costs of £1.7 million (2018: £2.6 million) have been allocated across activities. Support 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.

The breakdown of support costs by activity is shown below:

	2019 £000	2018 £000
Human resources	378	270
Finance	565	388
Information technology	499	426
Management and administration	59	165
Governance	104	89
Facilities	120	1,305
Total support costs	1,725	2,643

7 Grants payable to institutions

	SOFA heading	2019 £000	2018 £000
Fairtrade Africa and other African partners	Focus on Impact	464	433
Fairtrade International	Focus on Impact	91	-
Network of Asia and Pacific Producers	Focus on Impact	43	19
CLAC	Focus on Impact	-	61
Total grants payable		598	513

We have a programmes guideline we follow when making grants to other organisations. We undergo a due diligence assessment of the organisations to ensure we have a reasonable level of assurance that they are suitable for us to engage with. A due diligence assessment form – covering ethical standards, labour practices and human rights, general risk factors (ie operational, financial and reputational risks), alignment to our values and our relationship with the organisation – is completed to ensure the organisation is right for us to engage with following a broad assessment. A Memorandum of Understanding or a grant agreement is put in place which sets out the purpose of the grant and the responsibilities of all relevant parties before the grant is paid.

The grants to Fairtrade Africa and other Africa partners are in relation to the Gold IMPACT programme, Improved ASMO Access to Finance, Gold project Uganda, Lake Victoria Gold Programme, Women's School of Leadership and Strengthening Sugar Farmers in Southern Africa.

The grant to Fairtrade International is in relation to the Tea standards and pricing review, and Fairtrade vanilla living income project.

The grant to the Network of Asia and Pacific Producers is in relation to the Cotton Breeding Programme.

See Note 17 for further details.

Support costs of £57,000 (2018: £66,000) have been allocated to grant-making activities.

8 Governance costs

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

	2019 £000	2018 £000
Trustee expenses	9	8
Fees payable to charity's auditors for the audit of the charity's annual accounts	18	18
Other governance costs	40	29
Staff costs	37	34
Total costs	104	89

No remuneration was paid to Trustees in the year (2018: nil).

Trustee expenses relate to travel expenses reimbursed for attendance at Board and sub-committee meetings, other meetings at the Foundation and external events to represent the Foundation. £9,000 (2018: £8,000) was reimbursed to six Trustees (2018: eight Trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

9 Net income/(expenditure)

Net income/(expenditure) is stated after charging:

	2019 £000	2018 £000
Depreciation of fixed assets	160	182
Fees payable to charity's auditors for the audit of the annual accounts for the current year	18	18
Fees payable to charity's auditors for other accountancy services	11	1
Operating lease rentals and service charge: land and buildings	293	556

10 Staff costs

	2019 £000	2018 £000
Wages and salaries	3,870	3,552
Employer's National Insurance costs	398	360
Employer's contribution to defined contribution pension schemes	325	300
Agency staff	110	127
Staff costs	4,703	4,339
Staff recruitment costs	71	49

Number of employees whose emoluments excluding National Insurance contributions and employer pension costs, fell within the band:

	2019	2018
£70,000 – £79,999	1	2
£80,000 – £89,999	2	2
£90,000 – £99,999	-	-
£100,000 – £109,999	1	1

The Foundation's highest salary was 4.2 times the lowest salary during 2019, in line with our policy to ensure the highest salary is no more than five times the lowest salary.

Contributions in the year for the provision of defined contribution pension schemes to higher paid staff were £31,000 (2018: £34,000).

The senior management team comprised the Chief Executive, the Chief Financial Officer, the Director of Public Engagement, the Commercial Director and the Director of Impact. The total employee benefits of key management personnel of the charity were £529,000 (2018: £502,000).

Average headcount in 2019 was 94 (2018: 91).

Redundancy/termination payments agreed and paid in the year came to £17,000 (2018: £2,000).

11 Intangible fixed assets

	Software and website £000
Cost at 1 January 2019	921
Additions	-
Disposals	(163)
At 31 December 2019	758
Amortisation at 1 January 2019	795
Charge for period	87
Disposals	(163)
At 31 December 2019	719
Net book value at 1 January 2019	126
Net book value at 31 December 2019	39

12 Tangible fixed assets

	Office equipment £000	Fixtures and fittings £000	Total £000
Cost at 1 January 2019	98	278	376
Additions	1	10	11
Disposals	(7)	-	(7)
At 31 December 2019	92	288	380
Depreciation at 1 January 2019	51	57	108
Charge for period	16	57	73
Disposals	(7)	-	(7)
At 31 December 2019	60	114	174
Net book value at 1 January 2019	47	221	268
Net book value at 31 December 2019	32	174	206

13 Debtors

	2019 £000	2018 £000
Licence fee debtors	2,108	2,951
Accrued licence fee	1,546	1,193
Amounts due from Fairtrade International and other Fairtrade organisations	264	53
Prepayments, accrued income and other debtors	402	314
Total debtors due within one year	4,320	4,511

14 Creditors

	2019	2018
Creditors: amounts falling due within one year	£000	£000
Trade creditors	391	237
Amounts due to Fairtrade International and other Fairtrade organisations	550	406
Amount held as agent for system-wide projects	-	7
Social security and other taxes	536	485
Other accruals	931	724
Total creditors due within one year	2,408	1,859

During 2015 the Foundation started acting as an agent for other national Fairtrade organisations by holding funds for use on system-wide projects on their behalf. This came to an end at the start of 2019 and the Foundation no longer acts as agent for the system-wide projects fund.

	2019	2018
Creditors: amounts falling due after one year	£000	£000
Accruals	306	158
Total creditors due after one year	306	158

15 Provision for liabilities and charges

	Provision at 1 Jan 2019 £000	Charged to SOFA to SOFA £000	Provision released £000	Provision at 31 Dec 2019 £000
Dilapidations	749	-	(400)	349
Total provision	749	-	(400)	349

The provision relates to the office lease dilapidations clause. Our lease in our old premises ended in 2019 and settlement has yet to be reached. The lease under our current premises ends in 2028 with a break in 2023 allowed, so any payments under this provision are expected to be incurred in either 2023 or 2028.

16 Share capital

The Fairtrade Foundation is a company limited by guarantee and with no share capital. Each of the 16 members is liable to contribute a sum not exceeding £1 in the event of the company being wound up.

17 Fund movements

	Funds at 1 January 2019 £000	Income £000	Expenditure £000	Transfers between funds £000	Funds at 31 December 2019 £000
Restricted funds					
Focus on Impact					
Gold IMPACT Programme	125	133	(156)		102
Improved ASMO Access to Finance	14	121	(166)		(31)
Responsible Tanzanian Gold Project	50	-	(50)		-
Swaziland sugar project	17	-	(17)		-
Bolivia coffee project	(10)	-	-		(10)
Cotton Breeding Programme	14	37	(33)		18
Gold project Uganda	10	25	(36)		(1)
Textile Training Programme	-	30	(20)		10
North East India Tea Research Programme	-	65	(24)		41
Strengthening Sugar Farmers in Southern Africa	200	-	(165)		35
Dignity for All: Ethiopia Flowers Programme	-	50	(18)		32
Women's School of Leadership Programme	50	50	-		100
Commercial Partners Sponsored Programmes	1	16	(10)		7
Total	471	527	(695)	-	303
Improve and Innovate					
Fairsource for Fairtrade	32	-	(32)		-
Total	32	-	(32)	-	-
Make Fairtrade Personal					
EC Trade Fair, Live Fair	270	-	(264)		6
Cocoa Living Income Communication	-	128	(17)		111
Esmée Fairbairn Foundation	4	-	(4)		-
Total	274	128	(285)	-	117
Total restricted funds	777	655	(1,012)	-	420
Unrestricted funds					
General funds	4,454	11,323	(10,012)	(761)	5,004
Designated funds – Fairtrade Future Fund	-	-	-	750	750
Designated funds – Fixed Asset Fund	394	-	(160)	11	245
Total unrestricted funds	4,848	11,323	(10,172)	-	5,999
Total funds	5,625	11,978	(11,184)	-	6,419

Description of funds

Restricted funds

Gold IMPACT Programme

Fairtrade's IMPACT Programme (Investment in Miners Potential through access to Capital and Transparent Markets) started in 2018 and is funded by Comic Relief. This programme built on the success of the 'Extending Fairtrade Gold to East Africa' Programme and seeks to support small-scale mining sites to access finance to invest in clean mining equipment and, additionally, to access export markets on improved terms of trade. The programme will last for four years and reach communities in Kenya, Uganda and Tanzania.

Tackling the challenges in artisanal and small-scale gold mines

This project, funded by the Dutch government, aims to tackle child labour in artisanal and small-scale mining. The project will be looking to change existing attitudes to using children in the gold mining process through education and an emphasis on the economic benefits of a different approach. Our project work in Uganda is supporting mining communities to improve the environmental footprint of their mining activities and to tackle a range of social issues, including child labour. Core activities include supporting mine sites to access finance to invest in cleaner, more efficient mining equipment which will reduce their reliance on harmful chemicals and increase the productivity of mining. In partnership with other organisations, including UNICEF, we are also supporting work at the community level to open up opportunities for young people away from mining, including supporting children into a quality school education.

The Responsible Tanzanian Gold Project

Fairtrade is working with a selection of gold mine sites in the Geita Region of Tanzania, to support groups to access finance, technical support and, in time, international markets. The project is a three-year initiative and part of Fairtrade's wider Lake Victoria Gold Programme.

Swaziland sugar project

This is funding provided by the Jersey Overseas Aid Commission to build markets and climate resilience for sugar farmers in Swaziland.

Bolivia coffee project

This is funding provided by the Jersey Overseas Aid Commission is aimed at building better farming practices and beating coffee diseases with Bolivian coffee farmers. The objective is to carry out an urgent programme of technical assistance to reverse a 60 – 80 percent decline in the yield of coffee cherry, not through a one-off intervention but by providing the co-operative with the skills and resources they need to achieve economic and environmental self-sufficiency in the face of severe challenges.

Cotton Breeding Programme

This funding is provided by TRAIID for a breeding programme for non-GM cotton seeds for 1,500 farmers in Vasudha co-operative.

Gold project Uganda

This project is funded by RVO in partnership with UNICEF, Solidaridad, Fairphone, Philips and others. Fairtrade is working to support improved conditions among gold mining sites and communities in the Busia region of Uganda. The project – through a range of community and mine-level interventions – seeks to eliminate child labour from mining environments and to support technology businesses to fold in responsibly mined gold into their supply chains.

Textile Training Programme

This project funded by the NUS seeks to provide basic training to workers and managers at the Armstrong Spinning Mill on the Textile Standard, including training to improve understanding and knowledge of workers' rights, labour laws, and health and safety principles.

North East India Tea Research Programme

This project has been jointly funded by the Ethical Tea Partnership, Fairtrade Germany and Fairtrade International to explore measures that would support better economic outcomes for workers on tea plantations in India, with a focus on the Assam and Darjeeling regions.

Strengthening sugar farmers in Southern Africa

This project in Southern Africa aims to build resilience and deepen impact for Fairtrade sugar cane farmers, co-operatives and their communities.

Dignity for All: Ethiopia Flowers Programme

The programme seeks to improve labour relations among workers, employers and labour unions; empower workers, especially women, by improving women's empowerment in Fairtrade certified flower farms in Ethiopia; and ensure a sustainable livelihood for workers in the sector through creating decent working conditions, promoting inclusiveness and ensuring workers' rights.

Women's School of Leadership

The programme is a women's human rights training used to both inform participants about complex problems and concepts and to change the way that participants respond to discrimination and violation of their rights. It aims to highlight the need to mobilise and develop women's rights advocates who help fight for the elimination of All Forms of Discrimination against Women.

Commercial partner programmes

The programmes run with commercial partners includes the NUS digital classrooms project in India.

Fairsource for Fairtrade

This grant from Humanity United is to support the strengthening of a data ecosystem in Fairtrade supply chains and deliver information and insight to drive positive social impact for farmer and worker communities through responsible business behaviour generating learnings around best practice supply chain transparency implementation for farmer and worker empowerment.

EC Trade Fair, Live Fair

This project aims to raise awareness and mobilise the European public to advance consumption patterns that nurture the Sustainable Development Goals (SDGs). It is a joint project between Fair Trade and Ethical Fashion movements across Europe to join forces in order to foster more resilient livelihoods for the producers and workers behind many of the products that European citizens consume.

Cocoa Living Income Communication

This project aims to align the global Fairtrade movements' communication on the need for Fairtrade in cocoa.

Esmée Fairbairn Foundation

In 2015, the Fairtrade Foundation commenced a three-year project funding partnership with Esmée Fairbairn. The supported work deals with the extension of the mandate of the Groceries Code Adjudicator to help prevent Unfair Trading Practices from persisting in the UK and EU trade context. Also supported is work to influence the Competition and Markets Authority to increase recognition of ethical considerations as part of the definition of consumer interest. Additional to this support for advocacy and policy work, Esmée Fairbairn has agreed to support the Fairtrade Foundation's campaigning efforts, namely the producer tour, which brings four Fairtrade farmers on a tour of the UK's vibrant supporter communities.

Designated Funds

Fairtrade Future Fund

The trustees have set aside £750,000 to invest in developing, implementing and unlocking the full potential of our new 2021 – 2025 strategy to maximise the impact the Foundation can generate for producers.

Fixed Asset Fund

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

Below is the prior year comparison of the fund movement in 2018:

	Funds at 1 January 2018	Income £000	Expenditure £000	Transfers between funds £000	Funds at 31 December 2018 £000
Restricted funds					
Focus on Impact					
Gold IMPACT Programme	147	219	(241)		125
Improved ASMO Access to Finance	-	119	(105)		14
Responsible Tanzanian Gold Project	-	50	-		50
Growing Women in Coffee	9	15	(24)		-
Swaziland sugar project	12	27	(22)		17
Bolivia coffee project	53	-	(63)		(10)
Cotton Breeding Programme	9	30	(25)		14
Gold project Uganda	23	-	(13)		10
Producer support	4	-	(4)		-
Strengthening sugar farmers in Southern Africa	224	-	(24)		200
Comparative analysis of progress towards gender equity	-	4	(4)		-
Commercial Partners Sponsored Programmes	1	115	(65)		51
Total	482	579	(590)	-	471
Improve and Innovate					
Responsible, Accountable and Transparent Enterprise (RATE)	-	58	(58)		-
Fairsource for Fairtrade	-	79	(47)		32
Climate change and organisational strengthening scoping project	-	3	(3)		-
Total	-	140	(108)	-	32
Make Fairtrade Personal					
EC Trade Fair, Live Fair	222	298	(250)		270
Esmée Fairbairn Foundation	52	-	(48)		4
Total	274	298	(298)	-	274
Total restricted funds	756	1,017	(996)	-	777
Total unrestricted funds	3,889	11,191	(10,232)	-	4,848
Total funds	4,645	12,208	(11,228)	-	5,625

18 Analysis of fund balances held as at 31 December 2019

	General £000	Designated £000	Restricted £000	Total £000
Intangible fixed assets	-	39	-	39
Tangible fixed assets	-	206	-	206
Current assets	8,067	750	420	9,237
Current liabilities	(2,408)	-	-	(2,408)
Long term liabilities	(306)	-	-	(306)
Provisions	(349)	-	-	(349)
Fund balance at 31 December 2019	5,004	995	420	6,419

A comparative of the analysis of fund balances held as at 31 December 2018 is as follows:

	General £000	Restricted £000	Total £000
Intangible fixed assets	126	-	126
Tangible fixed assets	268	-	268
Current assets	7,220	777	7,997
Current liabilities	(1,859)	-	(1,859)
Long term liabilities	(158)	-	(158)
Provisions	(749)	-	(749)
Fund balance at 31 December 2018	4,848	777	5,625

19 Breakdown of 2018 Statement of Financial Activities into restricted and unrestricted

	Notes	2018 Unrestricted £ 000	2018 Restricted £ 000	2018 Total £ 000	2017 Total £ 000
Income from:					
Donations and legacies	2	127	8	135	114
Grants	4	-	891	891	1,005
Investment income		1	-	1	0
Charitable activities					
Licence fees		10,222	-	10,222	10,387
Partnership and other income	5	841	118	959	855
Total income		11,191	1,017	12,208	12,361
Expenditure on:					
	6				
Raising funds		474	-	474	447
Charitable activities					
Focus on Impact		4,203	589	4,792	4,790
Improve and Innovate		3,027	109	3,136	3,309
Make Fairtrade Personal		2,528	298	2,826	3,007
Total charitable activities		9,758	996	10,754	11,106
Total expenditure		10,232	996	11,228	11,553
Net income/(expenditure), being net movement in funds					
	9	959	21	980	808
Reconciliation of funds:					
Fund balances brought forward		3,889	756	4,645	3,837
Fund balances carried forward	17	4,848	777	5,625	4,645

20 Notes to the cash flow statement

Reconciliation of net income/(expenditure) to operating cash flow		
	2019 £000	2018 £000
Net income	794	980
Depreciation charge	160	182
Decrease in stock	6	1
Decrease/(increase) in debtors	191	929
Increase/(decrease) in creditors		
excluding short term borrowings	697	(1,572)
Increase in provisions	(400)	365
Net cash inflow from operating activities	1,448	885

Analysis of net funds

	Balance at 1 Jan 2019 £	Cash flow movement £	Balance at 31 Dec 2019 £
Cash at bank and in hand	3,475	1,437	4,912
Net funds	3,475	1,437	4,912

21 Financial commitments under operating leases

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

	2019 £000	2018 £000
Land and buildings		
Due within 1 year	264	106
Total due in years 2 to 5	898	1,162
Office equipment		
Due within 1 year	12	14
Total due in years 2 to 5	28	1
Total	1,202	1,283

Lease payments recognised as an expense were £117,000 (2018: £272,000). They are included in support costs.

22 Pension funds – defined contribution scheme

The Foundation contributes towards a defined contribution scheme. The cost of this scheme is charged to the Statement of Financial Activities and amounted to £325,000 (2018: £300,000). It did not give rise to any provisions/reserves.

Employer pension contributions are allocated between activities, and between restricted and unrestricted funds based on a review of the role of each employee.

FAIRTRADE FOUNDATION REFERENCE AND ADMINISTRATIVE INFORMATION

Legal status

A company without share capital limited by guarantee, registered in the United Kingdom, number 2733136.

Registered address and principal office

5.7 The Loom,
14 Gower's Walk
London, E1 8PY

Registered charity number

1043886

Directors/Trustees

Alison Marshall	Appointed September 2016
Bob Doherty	Appointed August 2017
Brenda Achieng	Appointed June 2016, left March 2019
David Paterson	Appointed September 2018
Didier Dallemagne	Appointed October 2014
Elizabeth Sideris	Appointed October 2014
Jane Frost (Vice Chair)	Appointed June 2014
Mark Price (Chair)	Appointed September 2018
Marike de Peña	Appointed June 2018
Paul Thompson (Treasurer)	Appointed June 2014
Simon Wright	Appointed December 2018

Senior Management

Michael Gidney	Chief Executive
Fiona Kindness	Chief Financial Officer
Louisa Cox	Director of Impact
Cheryl McGeachie	Director of Public Engagement – left May 2019
Julia Nicoara	Interim Director of Public Engagement – started May 2019, left June 2020
Euan Venters	Commercial Director

Company secretary

Michael Gidney

Member organisations

All We Can
Banana Link
CAFOD*
Christian Aid*
Global Justice Now*
National Campaigner Committee
National Federation of Women's Institutes*
Nicaragua Solidarity Campaign
Oxfam*
People & Planet
SCIAF
Shared Interest Foundation
Soroptimist International Great Britain & Ireland
Tearfund
Traidcraft Exchange*
United Reformed Church
(*Founder members)

Bankers

CAF Bank Ltd
Kings Hill
West Malling
Kent
ME19 4TA

HSBC
31 Holborn Circus
London
EC1N 2HR

Solicitors

Bates, Wells and Braithwaite
10 Queen St Pl
London
EC4R 1BE

Auditor

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

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London E1 8PY**

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Registered Charity No. 1043886

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