

The Fairtrade Foundation



Annual Report and Financial Statements

for the year ended 31 December 2009

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 2009

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 2009. The Reference and Administrative information on pages 30 and 31 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 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 relieves 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 into and education concerning causes and effects of poverty, particularly in relation to the conduct of trade 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 Foundation is a member organisation of, and works very closely with, Fairtrade Labelling Organisations International (FLO), the umbrella organisation based in Germany that 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 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 4 of the Charities Act 2006 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 2009

In 2007 the Fairtrade Foundation undertook a major strategic review with significant input from all our stakeholders – our licensees and retail partners, producers, NGO partners, international colleagues, funders, Trustees and staff. The review culminated in the publication of our 5 year strategy, "Tipping the Balance – the Fairtrade Foundation's Vision for Transforming Trade 2008-2012" in February 2008. 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 sets 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 feel part of 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. For 2009 the following progress can be reported.

- **Increasing Fairtrade's impact on producers lives**

The estimated retail sales value of FAIRTRADE marked products in 2009 reached £800 million, up 14% on 2008, generating £16.7 million of Fairtrade premium payments to producers' communities. Although this is a lower rate of growth than seen by the Foundation in recent years, even this level of growth is a significant achievement given the global economic climate during 2009, considered by many economists to be the worst financial crisis since the Great Depression of the 1930's.

We further broadened our reach with the addition of 27 new producer organisations supplying the UK, taking us to 490 groups, involving 827,892 individuals. We were also able to deepen our impact with producer organisations already supplying the UK; 50% of the market growth accrued to these existing groups, enabling them to sell a greater proportion of their produce on Fairtrade terms. These results are consistent with our Tipping the Balance commitments.

Small farmer organisations have continued to capture two thirds of the UK Fairtrade market, consistent with Tipping the Balance commitment to ensure access of small-scale producers to the UK market. Furthermore, individuals from Fairtrade certified producers supplying the UK from Least Income Countries number 323,324, making up 39% of the 827,892 individuals supplying UK market, consistent with our commitments to ensuring market access for disadvantaged groups from the very poorest countries.

Internationally, the Foundation has, with Comic Relief funding, continued closely working with the African Fairtrade Network to help increase capacity to develop and implement its own 5-year strategic plan. Core capacity developed in 2008 began to yield concrete deliverables during 2009. Examples include the African Fairtrade Network now actively participating in Fairtrade standards development so they better reflect African needs; US\$280,000 in business training grants transferred to 25 successful small farmer organisations and embryonic strategic networks in 6 countries to leverage external support.

Our understanding of our impact on producers' lives was further developed with the completion in 2009 of five impact research projects:

- review of the role and importance of Small Farmers in the context of climate change and food security used to launch Fairtrade Fortnight 2009,
- a banana sector review covering producers from Latin America and Africa,
- a literature review covering 33 independent impact studies, and
- longitudinal studies of both sugar in Belize and tea, sugar & nuts in Malawi.

These reports are being used to improve the business model adopted by Fairtrade and to further deepen our collective awareness and understanding of the need and impact of Fairtrade.

Consistent with our commitment to broaden opportunities for new producers to access Fairtrade market opportunities, Fairtrade cosmetics and olive oil products were launched in 2009.

The first olive oil to carry the FAIRTRADE Mark was launched to coincide with the start of Fairtrade Fortnight 2009. The olive oil, produced by marginalised Palestinian farmers and imported by Zaytoun, provides many Palestinian farmers with as much as 50 percent of their annual income. Although Olive production prevents the abandonment of the land and the spread of desertification, as a result of the conflict in the region many Palestinian farmers continue to face severe barriers in carrying out their normal day-to-day agricultural activities caused mainly through restrictions on movement, exacerbating levels of deprivation and marginalisation.

New Fairtrade standards for cosmetics provided companies like Boots, Lush, Bubble & Balm and Neal's Yard opportunities to introduce Fairtrade cosmetics lines in 2009, providing new market opportunities for both new and existing producers to supply key components such as shea and cocoa butters, essential oils and honey.

Fairtrade standards were also approved in other new product categories, including vegetables, pulses and gold, to enable the launch of these products as Fairtrade from 2010 onwards. Detailed work on shrimp, silk and rubber undertaken in 2009 is expected to deliver further market access opportunities from the end of 2010. Overall new product developments are on track to deliver 9 new product categories by 2012 as per the Tipping the Balance target.

In addition to these new products, the Foundation has worked on extending and strengthening market opportunities for existing product categories (geographic or variety), noticeably delivering in 2009 work on coconuts for processing, walnuts, sweet potato, peaches and nectarines, raisins, grapes and melons, as well as providing significant contribution into FLO's work on sugar, cocoa and bananas.

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

The credibility and effectiveness of Fairtrade comes from the level of awareness and understanding amongst the general public. One of the key ways the Foundation measures this is through an annual consumer survey undertaken by TNS each spring. In 2009, almost achieving our Tipping the Balance target of 75%, the survey showed that 74% of the general public recognised the FAIRTRADE Mark (up from 68% at the same point in 2009) and that 65% understood that the Mark stands for a better deal for producers in developing countries.

Fairtrade Fortnight 2009 ran from 23 February 2009 to 8 March 2009 with the theme of "Make it Happen. Choose Fairtrade", as a call to individuals, community groups, schools, universities and faith networks to scale up their own activity to realise the Fairtrade Foundation's vision of an even bigger movement for positive change. The 2009 Fairtrade Fortnight was bigger than ever through the inclusion of a launch conference on the food crisis, a Fairtrade debate tour and an attempt at a banana eating world record. The banana event encouraged people to 'go bananas for Fairtrade' in a world record attempt to have the most number of people registering that they had eaten a Fairtrade banana in 24 hours, and 470,001 people got involved in this effort! People dressed in an array of banana-themed costumes flocked to London's Trafalgar Square on Saturday 7 March to join in the communal banana chomp, some after attending 24 events in 24 London boroughs over a 24 hour period. Meanwhile residents in the first Fairtrade towns in the UK and the United States - Garstang in Lancashire and Media in Pennsylvania - watched each other take part in the record attempt via a live video link while Leeds hosted its own banana-eating event in the city centre. Elsewhere around the country, supporters of the Foundation and its NGO member organisations held over 11,000 local events during Fairtrade Fortnight 2009.

The level of grass root support is demonstrated by the ever increasing number of Fairtrade Towns: reaching 459 in the UK at the end of December 2009. The Foundation also provided leadership and support to the global Towns movement through the launch of an international Fairtrade Towns community website, bringing together individual campaigners, town campaign co-ordinators and national campaign co-ordinators from the 19 countries where there are now Fairtrade Towns. There were 755 international Fairtrade Towns at the end of December 2009.

Development of grass roots support also continued to grow in schools, universities, churches and other faith groups. At the end of December 2009 there were 318 Fairtrade Schools (with a further 3599 working towards achieving Fairtrade status); 112 Fairtrade Universities and Colleges; 5945 Fairtrade Churches; 75 Fairtrade dioceses, 39 Fairtrade synagogues and 1 Fairtrade Mosque.

400 campaigners from all over UK attended our national supporters' conference in late summer to hear a range of debates, attend workshops including an innovative chocolate and wine tasting session, and were there to hear the Rt Hon Douglas Alexander MP announce the Government's investment of £12m over the next four years to support the building of the global Fairtrade movement.

Our Fairtrade networks were further boosted when Bruce Crowther, the founding father of Fairtrade Towns, campaigner and inspiration to many local campaigns, and Sophi Tranchell, Managing Director of Divine Chocolate and chair of the Fairtrade London steering group, were both awarded MBEs in the 2009 New Year's honours list in recognition of their work and commitment.

October 2009 saw the 15th Anniversary of the first Fairtrade product in the UK and to mark the occasion 50 special guests were invited to Downing Street for a birthday tea party with Sarah Brown. Guests included representatives from the first brands to carry the FAIRTRADE Mark (Maya Gold, Cafedirect, Clipper Tea), a range of our campaigners, fair trade organisations and NGO members.

The establishment of the new policy team within the Foundation in 2009 enabled work to commence in three areas of interest: international trade; climate change and sustainable consumption; and public/private sector procurement and purchasing practices. In 2009 the Foundation produced a discussion paper on Climate Change and its impact for Fairtrade producers, and the role the movement could play to tackle climate change. This report was launched at the party conferences in late summer 2009, and we held a debate alongside the New Economics Foundation and the Equalities Trust on equity for the poor in any action to tackle climate change.

Prominent placement of Fairtrade within national advertising campaigns occurred in 2009 with the Cadbury's Fairtrade launch campaign seen across TV, billboards and in printed media, and the Co-operative's 'Good For Everyone' campaign which won the Green Award's Best Green Integrated Campaign. The Fairtrade Foundation and Cadbury jointly won the prestigious CorpComms Editors' Award for our communications campaign, ranging from the launch announcement in March 2009 including live press announcement and blog, to the Bournville based launch of the bars coming off the production line in July 2009.

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

Commitments made in 2008 continue to drive retail sales higher in 2009 – Sainsbury's and the Co-op have made significant commitments in relation to their own-label hot beverage ranges and sugar, Morrison's converting all their roast and ground coffee, Tesco converting Tesco Finest Tea and Tate & Lyle's commitment to convert all its retail branded sugar to Fairtrade by the end of 2009 – which results in more than 6,000 small-scale growers in the Belize Sugar Cane Farmers' Association seeing the benefits of Fairtrade.

Whilst Fairtrade dedicated companies such as Traidcraft and Liberation brought new innovative products to the retail market including pasta made with Fairtrade quinoa, Fairtrade muesli, Fairtrade Peanut Butter and Harry's Nuts supported by the well known comedian Harry Hill. In March 2009 retailer, and Fairtrade licensee, Bishopston Trading was ranked as the most ethical clothing company in the UK after it received an 'Ethiscore' of 16.5, the joint highest ranking in the authoritative Clothing Report compiled by Ethical Consumer magazine.

Significant investment of time and resources was made engaging with both existing and new businesses, and further commitments were made by many of our licensees which resulted in a number of significant switches in 2009. Starbucks switched all its espresso beverages to 100% Fairtrade coffee in the UK in the late summer. In early 2009 Cadbury's announced the conversion to Fairtrade for their 'Dairy Milk' chocolate bars and entire drinking chocolate range by late summer 2009. This initial conversion provides a better deal for over 40,000 cocoa farmers in Ghana, as well as opening the door for thousands more cocoa growers in Ghana to work towards Fairtrade certification. Further commitments were made in 2009 which have resulted in Cadbury's Chocolate Buttons converting and launching in early 2010. The year ended with Fairtrade four finger KitKats hitting the shop shelves in the last days of December 2009. This is part of a larger commitment by Nestlé in the UK which will see the entire KitKat range, including the 2 finger and chunky versions, convert to Fairtrade during 2010 and 2011. The potentially controversial launch was largely welcomed by a wide range of stakeholders.

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

With 2 billion people worldwide still earning less than \$2 a day, the Foundation continued its work with companies and with the public to drive increased sales. Despite an increasingly difficult economic climate during 2009, Fairtrade sales continued to grow by approximately 7% as the public stayed loyal to Fairtrade and companies and retailers responded to that demand.

Fairtrade bananas continue to be the leading Fairtrade product in the UK with more than 1 in 4 of all bananas eaten in the UK now Fairtrade certified.

Significant growth rates were achieved in some key product sectors such as Cocoa (up 93% to 3.6 million KGs) and Sugar (up 53% to 69.3 million KGs). These are largely as a result of the conversion of Cadbury's Dairy Milk in the latter stages of 2009 and the continued rollout of supermarket commitments on own-brand sugar as well as the Tate & Lyle commitment to make all its retail sugar

Fairtrade. Coffee volumes also saw significant growth of 24% due largely to the increased commitment of supermarkets, in particular Sainsbury's and the Co-op taking all their hot beverages to Fairtrade, as well as Starbucks converting all their espresso-based drinks in the UK from September 2009 onwards.

Of the six top categories Tea saw more modest growth of around 5%, whilst Cotton saw a decline to 13 million units.

Other non core product areas also saw significant growth such as juices (up 50%) and wine (up 29% to more than 6 million litres). However the more recession prone categories where the public are less aware of Fairtrade options, such as fresh fruit (excluding bananas) and flowers, were hit by declining sales.

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

As Fairtrade sales continue to grow rapidly in the UK, the Foundation's systems, processes and procedures need to keep pace with this change. Work within the year outlined below will enable the Foundation, and the wider Fairtrade community, to gear up for future growth thus enabling it to continue to provide the independent guarantee for Fairtrade whilst acting within its wider developmental aims.

In 2009 the Foundation continued to provide additional financial support to FLO to support its development and commence the implementation of its strategic plan. Significantly the Foundation has continued to make its Director of Strategy and Innovation available to FLO to support the implementation of the new international strategy. He was re-elected to the Board of FLO in 2009 for a second three-year term and re-appointed by the Board to serve as Executive Vice-Chair. In this role, he leads on strengthening governance and accountability of the system and on external relationships with other parts of the Fairtrade movement.

The Foundation continued to work ever more closely with other Fairtrade labelling initiatives around the world. Through active participation in global Fairtrade issues, we developed relationships and links across the Fairtrade family, finding synergies which could be utilised for building the effectiveness of the global Fairtrade system. 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 grass-roots support projects such as Fairtrade Towns, is often referenced by our partners. In 2009, Foundation staff visited Australia, Belgium, Canada, Germany, Netherlands, Spain, and the USA as part of this work. The opening up of new markets for Fairtrade is part of our objectives of providing additional opportunities for producers, and so the Foundation has provided advice and support to Fairtrade South Africa since its formation.

In addition the Foundation also provided support to enable changes in the international system, including support to the three Producer Networks, who are the key to shifting the axis of Fairtrade towards the South. The Foundation has been working closely with the Africa Fairtrade Network as part of the Comic Relief project and has also helped the CLAC (Latin American & Caribbean Network of Small Fair Trade Producers) and the Network of Asian Producers with their development plans, providing funding where possible.

The Foundation must also ensure that its own internal systems remain robust enough to support our intended future growth. To that end in 2009 development of updated systems and processes continued such as the web-based application service, LASer (Licensee Application Service), for licensees and traders and this became operational in early 2010. Through an efficient and transparent interface with the Foundation's Certification Department and others it will provide a more consistent, streamlined and efficient business process for licensees and staff, and additionally provide improved management information systems in this area.

During 2009, the Certification Department finalised and implemented the major parts of its Quality Management System (QMS) for Fairtrade certification. This is designed to enable the Foundation to seek accreditation under ISO Guide 65, which provides the general requirements for bodies operating product certification systems. The QMS provided all stakeholders with clear standards, processes and record-keeping requirements to ensure that certification decisions are taken in as consistent, transparent and independent a manner as possible, reflecting the goals of the Fairtrade Labelling movement.

In 2009 rapid growth has again placed tremendous demands on the staff and the Trustees pay careful attention to this. An annual staff survey is one of the methods used to monitor staff satisfaction and effectiveness and the results for 2009 showed disappointing progress from 2008. Improvement was achieved in three areas highlighted for action in 2009 but there was a further decline in satisfaction in the other four areas highlighted for improvement in 2008. The external benchmarking against similar Non-Governmental Organisations (NGOs) staff survey results was more mixed in 2009 with only three results scoring in the upper quartile, two in the second quartile with two more in the bottom two quartiles. However our staff survey results came top when compared to similar charities in three areas including 'I am consulted and involved in decisions relevant to my work', 'I am provided with the resources to do my job' and 'I am satisfied with the working environment'. Despite the fall in satisfaction in response to some questions 92% of staff confirmed that they 'enjoy working at the Foundation'. Steps have been put in place to ensure that the four key areas identified for improvement in 2010 are implemented.

The Foundation also sought to strengthen its governance, bringing in new Trustees in 2009: David McCulloch from Oxfam and Alex Yeboah-Afari, of the African Fairtrade Network. The African Fairtrade Network joined other representatives from the Latin American Fairtrade Producers Network and the representative of the Network of Asian Producers, ensuring that producers rightly take their place at the heart of the movement. The Foundation would like to say a special thank you to Rosemary Byrde and Silver Kasoro Atwoki, who resigned from the Board in 2009, for all their leadership, encouragement, guidance and support during their time as Trustees.

Plans for 2010 and Beyond

In 2010 we will continue to strive to achieve our goals through the five strategic objectives as follows:

- **Tipping the balance of Fairtrade's impact for producers**

We will touch more lives, more deeply by supporting producer organisations already in the system to sell more under Fairtrade conditions, as well as developing the market for existing and new Fairtrade products so as to open the door to Fairtrade for more farmers and workers.

We will continue to develop plans for the products and target countries we work with so that the most disadvantaged, especially smallholders in the world's poorest countries, reap most benefits. Proactively targeting the most marginalised producers remains a challenge, so in 2010 a concerted focus on coordinating and delivering a multi-disciplinary approach involving producer support, standards, certification and market development teams from across the Fairtrade movement will be implemented to improve our reach to the most marginalised groups.

- **Tipping the balance of public opinion and lifestyle in favour of Fairtrade**

We will continue to build and embed support for Fairtrade across UK society, seeking to deepen understanding of and affinity with our work as measured by recognition of the Mark and the number of people actively choosing to purchase Fairtrade products.

We will continue to raise the Foundation's profile as the UK's leading authority on Fairtrade and develop the role of our grassroots supporter networks as the heart of the movement.

- **Tipping the balance of business engagement with Fairtrade**

We will encourage companies to move from compliance to commitment, including the Foundation doing more to recognise and support the role of dedicated fair trade businesses at the cutting edge of innovation in Fairtrade.

- **Tipping the balance of Fairtrade's presence in markets**

We will increase the impact of the current winning model in the categories where Fairtrade is becoming the norm, such as coffee, bananas and tea working towards a UK market share of at least 50% in these categories and more than 10% in at least six other food and drink categories.

We will adapt our model to make a difference in a wider range of business sectors including developing standards for more complex products, and scaling up Fairtrade to work effectively in whole categories and with new businesses.

- **Tipping the balance of Fairtrade's capacity to scale-up for the future**

We will continue to strengthen our certification processes to reinforce the credibility of the Mark and to ensure that scalable growth is achieved with integrity.

We will continue to streamline our systems and procedures to be fit for the scale we aim to achieve, and to deliver the best possible levels of service and value-for-money for all stakeholders.

We will continue to seek major financial investment in the global Fairtrade system so that it can scale up its present operations and extend these through research and innovation into new areas.

Financial Overview of 2009

Incoming resources for the year increased by 21% to £8.7 million. The principal component of income, the licence fees paid by companies carrying the FAIRTRADE Mark on their products, grew by 7% to £6.6 million reflecting the continued growth of the level of Fairtrade sales in the year. Although this increase in licence fees is a more modest rate of growth than the Foundation experienced in recent years, given the global economic climate in 2009, achieving growth is a significant success.

Grant income increased from £0.8 million to £1.9 million. The vast majority of this increase is due to the receipt of the second instalment of the Comic Relief Special Initiative grant for the project 'Fairtrade for Development in Africa' in February 2009. This grant is the largest ever received by the Foundation, and is for £5 million over 5 years. Whilst the funding is initially received by the Foundation, a significant amount of the funding is subsequently passed on to FLO eV and to the Africa Fairtrade Network.

The funding relationship with Impetus Trust and co-investors, Charities Aid Foundation, continued in 2009 with core funding to assist the Foundation in the implementation of its strategic plan. Further valuable support was secured from the John Ellerman Foundation as part of a two year grant agreement along with support from a range of Charitable Trusts and Foundations for a broad portfolio of work. New product development projects also continued to receive valuable support from the Sainsbury's Fair Development Fund in 2009.

We would like to thank all those who have continued to provide funding over a number of years, whether for core activities, or for specific projects in the UK or overseas – in particular the Department for International Development (DFID), Comic Relief, European Commission, Oxfam, Shared Interest Foundation, United Reformed Church and Triodos Bank.

Donations and miscellaneous income increased by 63% in 2009. The doubling of donations in the year was offset by a 70% fall in income received via the Triodos Fairtrade Saver Account scheme due to low bank interest rates in 2009. The Foundation is also extremely grateful for the financial support provided by individual and group donations in support of its work. In 2010 the Foundation will be assessing how to capitalise on this growth in donations from individuals without compromising the integrity and understanding that individuals have about the FAIRTRADE Mark.

Resources expended increased by 37% from £7.0 million in 2008 to £9.6 million in 2009. The additional resources have been carefully aligned with the strategic direction of the charity. However increases in funding allocated to Certification and Licensing, and Producer and Product Support exceeded the overall 37% increase, which is in line with the strategic objective to scale up the Foundation's systems and processes to ensure that they remain robust enough to deal with potential future growth.

Overall there were net outgoing resources of £0.9 million which led to a decrease in total funds from £3.8 million to £2.9 million. The net decrease on unrestricted funding of £1.1 million is lower than Trustees envisaged, which resulted in the unrestricted reserves at the year end slightly exceeding the target level agreed by the Trustees.

The budget set by the Trustees for 2010 included longer term financial projections through to 2012 and the Trustees continue to seek significant investment of resources over the coming years to ensure that the ambitious plans set out in "Tipping the Balance" can be achieved.

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.

Many of these risks are commercial 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.

In addition there is a range of internal risks which are addressed by periodic reviews of internal controls and improvements in systems designed to minimise such risks.

Reserves Policy

The Trustees review the reserves policy as a part of the overall risk management of the Foundation. The target level of free unrestricted reserves (i.e. general funds) is reviewed at regular intervals as part of the annual planning cycle. For each of the significant identified risks where there would be financial implications should that risk occur, the potential financial impact is considered together with the likelihood of that event occurring. The financial implications of these risks range between £1.23 million and £2.17 million giving a mid-point of £1.70 million. This target was increased significantly at the end of 2009 to take into account the increased licence fee income anticipated as a result of new key licensees, such as Starbucks, Cadbury's and Nestlé, therefore reflecting the potential increased financial impact in the event of the loss of any of these accounts.

In 2009 the Trustees adopted an additional target for reserves of maintaining at least 3 months running costs to enable efficient use of the Foundation's resources and to cover any potential liabilities in the event of an unforeseen change to circumstances (target calculated to be £2.37 million in 2010).

The target level for general funds will be maintained at the higher of the two target levels, i.e. financial risk implications (currently £1.70 million) or 3 months running costs (currently £2.37 million).

However as Fairtrade has achieved significant growth over the past few years the Trustees are aware that to maintain and build on these successes the Foundation must develop its systems and business processes to support the future growth of Fairtrade products in the UK. The Trustees realise that achieving and maintaining the higher of these two target levels may not always be achievable during this period of investment. In November 2009 the Trustees set a deficit budget for 2010 as the year-end forecast for general funds was above both the reserve targets to enable such investment to take place. However the actual level of general funds at the year end of £1.71 million was less than

forecast and between the current reserve targets, which has resulted in the Trustees reviewing planned expenditure for 2010.

The Trustees will continue to review the level of reserves so that the Foundation continues to maintain 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, and, when appropriate, to contribute financially. Since 2003 a total of nine organisations have joined as members. A full list of member organisations is given on page 30.

Trustee Appointment and Induction

The Board can comprise up to 12 Trustees who are appointed by the following process determined by the Articles of Association. Up to four 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 held in the summer each year where one third of the elected Board stand down by rotation. Elected Board members have the power to co-opt other 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 two three-year terms 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.

During 2009, the need was identified for the role of Vice Chair to provide support to the Chair and the other Trustees in delivering their responsibilities. Melissa Duncan was elected to this position in December.

A key organisational goal for the last three years has been to strengthen the Foundation's links with producer groups and in each year a producer representative has been elected onto the Board. In 2009 producer representative Silver Kasoro Atwoki stood down from the Board and Alex Yeboah-Afari from the African Fairtrade Network was appointed in Silver's place.

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 some 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 at first hand the impact of Fairtrade.

Trustee Meetings and Board Sub Committees

The Board meets at least five 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 two independent specialist advisers, one on personnel issues and one on finance matters, and meets up to five times a year:

- To monitor progress on major issues between Board meetings.
- To consider any matter specifically referred to it by the Board.
- To give first consideration to papers on strategic issues before they are submitted to the full Board.
- To monitor the development and implementation of human resource strategies and policies
- To 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. With the expansion of Fairtrade over the last few years the Committee has increased the number of times it meets from four to six. The Committee meets:

- To decide which licensees are subject to annual audit and spot-checks.
- To receive and consider annual audit and spot-check reports, including identifying actions required by licensees to maintain the standards required of them.
- To approve, as appropriate, an inspector's recommendation to issue, maintain or withdraw a licensee's certificate of compliance.

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 Executive Director who is supported by a senior management team consisting of a Deputy Executive Director, Director of Strategy & Innovation, Director of Commercial Relations, Director of Policy & Communications, Director of Producer Partnerships, Director of Certification Operations, Director of Special Projects, and Director of Finance and Resources. During 2008 it was agreed to strengthen the senior management team by the creation of a new role of Director of Marketing, and this post advertised and recruited and the successful candidate joined the Foundation in April 2009. Mike Gidney, who brings significant Fairtrade and ethical trading experience as a previous chair of the Board (resigned in June 2008 after 6 years on the Fairtrade Foundation Board), joined the senior management team in the summer of 2009 in the role of Deputy Executive Director.

The Director of Special Projects, Martin Tyler, left the Foundation in August 2009 and the decision was taken that this post was no longer a medium-term priority and existing responsibilities transferred largely to the Director of Finance & Resources and the Deputy Executive Director.

The Foundation has continued to make its Director of Strategy & Innovation, Ian Bretman, available to FLO for around 90% of his time to support the implementation of the new international strategy. He was re-elected to the Board of FLO in 2009 for a second three-year term and re-appointed by the Board to serve as Executive Vice-Chair. In this role, he leads on strengthening governance and accountability of the system and on external relationships with other parts of the fair trade movement

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 Horwath Clark Whitehill LLP as auditor will be proposed at the forthcoming Annual General Meeting.

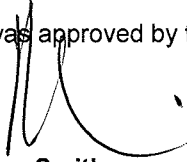
Acknowledgements

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 grass roots campaigners and supporters and its staff and volunteers. We particularly thank our celebrity volunteers and our patron until summer 2009, George Alagiah, 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 2,300 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 30 July 2010 and signed on their behalf by



David Clayton-Smith
Chair of the Board
The Fairtrade Foundation
30 July 2010

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 2009 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 17. These financial statements have been prepared in accordance with the accounting policies set out therein.

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

The trustees' (who are also the directors of The Fairtrade Foundation for the purpose of company law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you if in our opinion the information given in the Report of the Trustees is consistent with the financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charity's financial statements are not in agreement with those records, if we have not received all the information and explanations we require for our audit or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Report of the Trustees and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charity's affairs as at 31 December 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Trustees is consistent with the financial statements.



Sally Kirby
Senior Statutory Auditor
For and on behalf of
Horwath Clark Whitehill LLP
Statutory Auditor
London

5 August 2010

The Fairtrade Foundation

Statement of Financial Activities for the year to 31 December 2009 (including the Income and Expenditure Account)

		2009			2008
	Notes	Unrestricted £ 000	Restricted £ 000	Total £ 000	Total £ 000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Donations	2	188	7	195	120
Grants	3	175	1,691	1,866	798
Investment income		8	-	8	54
<i>Incoming resources from charitable activities</i>					
Licence fees		6,591	-	6,591	6,179
Sale of awareness-raising items		65	-	65	71
Total incoming resources		7,027	1,698	8,725	7,222
Resources expended					
Costs of generating funds	4	206	-	206	172
Charitable Activities					
Certification and licensing		1,508	-	1,508	1,004
Market and product development		1,864	2	1,866	1,418
Producer and product support		1,861	1,284	3,145	2,114
Public education and awareness		2,480	196	2,676	2,128
Total charitable activities		7,713	1,482	9,195	6,664
Governance costs	5	207	-	207	161
Total resources expended		8,126	1,482	9,608	6,997
Net incoming / (outgoing) resources before transfers		(1,099)	216	(883)	225
Transfers between funds		(26)	26	-	-
Net income / (expenditure) after transfers, being net movement in funds	6	(1,125)	242	(883)	225
Fund balances brought forward		3,559	248	3,807	3,582
Fund balances carried forward	12	2,434	490	2,924	3,807

There were no recognised gains or losses for 2009 or 2008 other than those included in the Statement of Financial Activities. The Notes on pages 19 to 29 form part of these Financial Statements.

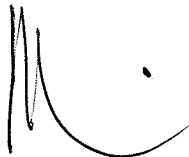
The Fairtrade Foundation

Balance Sheet as at 31 December 2009

Registered Company Number: 2733136

	Notes	2009 £ 000	2008 £ 000
Fixed assets			
Tangible assets	8	720	252
Current assets			
Stock		38	37
Debtors	9	3,714	3,928
Cash at bank and in hand		1,176	838
Total current assets		4,928	4,803
Liabilities			
Creditors: Amounts falling due within one year	10	(2,535)	(1,060)
Net current assets		2,393	3,743
Total assets less current liabilities			
		3,113	3,995
Creditors: Amounts falling due after one year	10	(129)	(168)
Provision for liabilities and charges	11	(60)	(20)
Net assets	13	2,924	3,807
Funds			
	12		
Unrestricted funds			
General funds		1,714	3,307
Designated funds		720	252
Total unrestricted funds		2,434	3,559
Restricted funds		490	248
Total funds	13	2,924	3,807

The financial statements were approved and authorised for issue by the Board of Trustees on 30 July 2010 and were signed below on its behalf by



David Clayton-Smith
Chair of the Board
30 July 2010

The Notes on pages 19 to 29 form part of these Financial Statements.

The Fairtrade Foundation
Cashflow Statement
for the year to 31 December 2009

	Notes	2009 £ 000	2008 £ 000
Net cash inflow / (outflow) from operating activities	14	898	(598)
Returns on investments and servicing of finance			
Interest received		8	54
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(568)	(265)
Increase / (decrease) in cash in the year	14	338	(809)

The Notes on pages 19 to 29 form part of these Financial Statements.

The Fairtrade Foundation

Notes to the Financial Statements

for the year to 31 December 2009

1 Accounting Policies

1.1 Basis of preparation of accounts

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

1.2 Company status

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

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

1.3 Fund accounting

Restricted funds arise from grants and donations given to the Foundation for specific areas and activities of the Foundation's work in furthering its objects. The aim and use of each material restricted fund is set out in Note 12.

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 12.

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

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 4.

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 and product 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 FLO 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 permanent staff employed by the Foundation are eligible for membership of the defined contribution occupational pension scheme operated by the Pensions Trust. The scheme is contributory (the Foundation pays up to 10% of salary depending on the level of the staff member's contribution). 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 on a straight line basis over the lease life to the SOFA.

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 £44,000 (2008: £63,000).

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.

Notes to the Financial Statements

2 Donations

	Unrestricted	Restricted	2009 Total	2008 Total
	£ 000	£ 000	£ 000	£ 000
Triodos Bank Fairtrade Saver Account	9	-	9	29
Other donations	179	7	186	91
Total	188	7	195	120

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	2009 Total	2008 Total
	£ 000	£ 000	£ 000	£ 000
<i>Member Grants</i>				
Oxfam	5	-	5	25
Shared Interest Foundation	1	5	6	7
United Reformed Church	-	2	2	2
CAFOD	-	-	-	15
Christian Aid	-	-	-	10
Tearfund	-	-	-	5
Total Member Grants	6	7	13	64
<i>Other Grants</i>				
Comic Relief				
Special Initiative & Supplementary Grant	-	1,404	1,404	54
Sainsbury's Fair Development Fund	-	28	28	99
Department for International Development				
Trade Policy Unit	-	165	165	204
Development Awareness Fund	-	39	39	77
Impetus Trust	85	-	85	50
The John Ellerman Foundation	50	-	50	50
Charities Aid Foundation (co-investor with Impetus Trust)	25	-	25	25
European Union	-	23	23	87
The Ernest Cook Trust	-	9	9	-
Today Translation & Business Services Ltd	3	-	3	-
Tinsley Foundation	3	-	3	1
Triodos Foundation	-	2	2	-
Morel Trust	-	2	2	-
The SMB Trust	1	-	1	2
The Paget Charitable Trust	1	-	1	1
Miss K M Harbinson Charitable Trust	1	-	1	1
The Rufford Maurice Laing Foundation	-	-	-	40
Waterloo Foundation	-	-	-	31
Rowan Charitable Trust	-	-	-	3
Other small grants	-	12	12	9
Total Other Grants	169	1,684	1,853	734
Total Grants	175	1,691	1,866	798

4 Resources Expended

	Direct Staff Costs £ 000	Other Direct Costs £ 000	Support Costs £ 000	2009 Total £ 000	2008 Total £ 000
Costs of generating funds	102	38	66	206	172
Charitable Activities					
Certification and licensing	540	616	352	1,508	1,004
Market and product development	854	474	538	1,866	1,418
Producer and product support	529	2,286	330	3,145	2,114
Public education and awareness	721	1,489	466	2,676	2,128
Total Charitable Activities	2,644	4,865	1,686	9,195	6,664
Governance costs	98	58	51	207	161
Total Resources Expended 2009	2,844	4,961	1,803	9,608	6,997
Total Resources Expended 2008	2,141	3,320	1,536	6,997	

Other direct costs include membership contributions of £1.116 million paid to FLO International eV (2008: £829,000) and certification fees of £228,000 paid to FLO-CERT GmbH (2008: £193,000). Amounts paid to FLO International eV support its functions in setting the international framework and co-ordination of Fairtrade including the setting and development of Fairtrade standards, supporting producers and traders to match supply and demand, and supporting smallholders and workers participating in Fairtrade. FLO-CERT GmbH is an independent certification company offering Fairtrade certification services.

Support costs of £1.803 million (2008: £1.536 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	2009 Total £ 000	2008 Total £ 000
Costs of generating funds	4	13	6	11	6	26	66	63
Charitable Activities								
Certification and licensing	20	72	30	57	34	139	352	250
Market and product development	32	113	47	91	54	201	538	481
Producer and product support	20	70	29	57	33	121	330	276
Public education and awareness	27	96	40	77	45	181	466	453
Total Charitable Activities	99	351	146	282	166	642	1,686	1,460
Governance costs	4	13	5	10	6	13	51	13
Total Resources Expended 2009	107	377	157	303	178	681	1,803	1,536
Total Resources Expended 2008	70	279	111	192	258	626	1,536	

Notes to the Financial Statements

5 Governance Costs

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

	2009	2008
	£ 000	£ 000
Direct Costs		
Strategic Review	-	88
Trustee expenses	23	14
Fees payable to Charity's auditors	21	13
Other governance costs	14	13
Staff costs	98	20
Total direct costs	156	148
Allocation of support costs	51	13
Total governance costs	207	161

No remuneration was paid to Trustees in the year (2008: Nil). Trustee expenses relate to travel expenses reimbursed for attendance at Board and sub committee meetings. £23,000 (2008: £14,000) was reimbursed to ten Trustees (2008: ten Trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

6 Net Income / (Expenditure)

Net income / (expenditure) is stated after charging:

	2009	2008
	£ 000	£ 000
Depreciation of fixed assets	100	98
Fees payable to Charity's auditors for the audit of the Charity's annual accounts	21	12
Fees payable to Charity's auditors for other services to the Charity	2	1
Operating lease rentals: land & buildings	612	440

7 Staff Costs

	2009	2008
	£ 000	£ 000
Wages and salaries	2,840	2,126
Employer's National Insurance costs	300	223
Employer's Pension contributions	154	107
Agency staff	41	18
Staff costs	3,335	2,474
Staff recruitment costs	57	73

Number of employees whose emoluments fell within the band:	2009	2008
£60,000 - £69,999	1	-
Employer's Pension contributions (defined contribution scheme)	£6,304	-

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

	2009	2008
Executive Directorate	4	4
Commercial Relations & Product Development	19	17
Certification	8	11
Communications & Policy	12	17
Marketing	15	-
Producer Partnerships	13	10
Fundraising	3	2
Support and administration	12	9
Total	86	70

8 Tangible Fixed Assets

	Office Equipment £ 000	Fixtures and Fittings £ 000	Software £ 000	TOTAL £ 000
Cost at 1 January 2009	158	235	67	460
Additions	32	-	536	568
Disposals	-	-	-	-
At 31 December 2009	190	235	603	1,028
Depreciation at 1 January 2009	108	50	50	208
Charge for period	33	46	21	100
Disposals	-	-	-	-
At 31 December 2009	141	96	71	308
Net book value at 1 January 2009	50	185	17	252
Net book value at 31 December 2009	49	139	532	720

Software additions of £520,000 relate to two systems which were not operational in the year and therefore were not depreciated.

Notes to the Financial Statements

9 Debtors

	2009	2008
	£ 000	£ 000
Licence fees *	2,952	3,022
Amounts due from FLO and other labelling initiatives	354	287
Other debtors	66	98
Prepayments and accrued income	342	521
Total debtors due within one year	3,714	3,928

* Licence fees are invoiced in arrears after the licensee's quarterly returns have been received and verified. Fees invoiced in 2009 and outstanding at the year-end totalled £533,000 (2008: £636,000) with the remaining £2,419,000 (2008: £2,386,000) of the debtor balance, representing a provision for fees relating to 2009 sales to be invoiced during 2010.

10 Creditors

	2009	2008
	£ 000	£ 000
Creditors: Amounts falling due within one year		
Trade creditors	1,412	342
Amounts due to FLO and other labelling initiatives	480	152
Social security and other taxes	217	271
Other creditors	38	36
Accruals	388	259
Total	2,535	1,060

	2009	2008
	£ 000	£ 000
Creditors: Amounts falling due after one year		
Accruals	129	168
Total	129	168

11 Provision for Liabilities and Charges

	Provision b/fwd £ 000	Charged to SOFA £ 000	Provision released £ 000	Provision c/fwd £ 000
Dilapidations	20	40	-	60
Total Provision	20	40	-	60

12 Fund Movements

	Funds at 01 Jan 09 £ 000	Income £ 000	Expenditure £ 000	Transfers Between Funds £ 000	Funds at 31 Dec 09 £ 000
<u>Restricted Funds</u>					
Market and product development					
Enlarging the Fairtrade Product Range	-	2	(2)	-	-
Producer and product support					
Fairtrade for Development in Africa	135	1,299	(1,068)	-	366
Enlarging the Fairtrade Product Range	43	202	(216)	-	29
Producer Liaison and Support	23	4	-	-	27
Total	201	1,505	(1,284)	-	422
Public education and awareness					
Fairtrade for Development in Africa	21	105	(68)	-	58
Fairtrade Towns	21	23	(58)	14	-
Fairtrade Schools (DFID funded)	-	39	(56)	17	-
Fairtrade Schools (other funders)	-	15	-	(5)	10
Fairtrade Fortnight	-	9	(9)	-	-
Other	5	-	(5)	-	-
Total	47	191	(196)	26	68
TOTAL RESTRICTED FUNDS	248	1,698	(1,482)	26	490
<u>Unrestricted Funds</u>					
Designated Funds					
Fixed Assets	252	-	(100)	568	720
Total	252	-	(100)	568	720
General Funds	3,307	7,027	(8,026)	(594)	1,714
TOTAL UNRESTRICTED FUNDS	3,559	7,027	(8,126)	(26)	2,434
TOTAL FUNDS	3,807	8,725	(9,608)	-	2,924

Description of Major Funds**Restricted Funds****Enlarging the Fairtrade Product Range**

This range of projects is designed to develop new Fairtrade products to extend the reach of Fairtrade labelling to new producers in the developing world, and to invest in further development of existing products. The majority of funding for this work was received from DFID. During 2009 grants from Sainsbury's Fair Development Fund were used to develop standards for Fairtrade Vegetables and for Fairtrade pulses and to evaluate standards for contract production. The new product portfolio was also supported by charitable trusts and foundations as well as the Fairtrade Innovation Fund which is primarily made up of donations from individuals to fund the research and development costs associated with new products.

Fairtrade for Development in Africa

The Fairtrade Foundation has two grants from Comic Relief for programmes in Africa: the large special initiative grant is supporting capacity building of the Africa Fairtrade Network, Fairtrade in South Africa, standards development, producer support and new media initiatives, and a supplementary grant has been given to explore the effects of climate change on the Shea tree.

Notes to the Financial Statements

Producer Liaison and Support

Work to support the development of a regional market for Fairtrade products in the Windward Islands is funded by two grants from charitable trusts and foundations.

Fairtrade Towns Campaign

This campaign supports the growing grass roots movement of individuals and local organisations striving to make their towns Fairtrade by achieving local goals on awareness and availability of Fairtrade products. 75% of the Fairtrade Towns in Europe project was funded by the European Commission (with the remaining 25% met by unrestricted funds).

Fairtrade Schools

The Fairtrade Schools project aims to build awareness of Fairtrade and its associated development issues by implementing a national 'Fairtrade status' award scheme for schools. The scheme is conducted both regionally and UK-wide from primary to sixth form level and encourages a whole school approach to Fairtrade, involving all members of the school, visitors, the wider community and other local schemes. In 2009, DFID provided funding for 70% of the project; the remaining 30% was met with £5,000 from charitable trusts and foundations and £12,000 of unrestricted funds.

Fairtrade Fortnight

Fairtrade Fortnight takes place in February/March each year and is the Foundation's main awareness campaign. Supermarkets, major development charities, churches, National Federation of Women's Institutes, members and thousands of supporters around the country promote Fairtrade during this period. This work was supported by grant funding from charitable trusts and member organisations.

Designated Funds

Fixed asset fund

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

13 Analysis of Fund Balances held on 31 December 2009

	Unrestricted £ 000	Designated £ 000	Restricted £ 000	Total £ 000
Tangible fixed assets	-	720	-	720
Current assets	4,309	-	619	4,928
Current liabilities	(2,406)	-	(129)	(2,535)
Long term liabilities	(129)	-	-	(129)
Provisions	(60)	-	-	(60)
Fund balances at 31 December	1,714	720	490	2,924

14 Notes to the Cashflow Statement

Reconciliation of net (expenditure) / income to operating cash flow		
	2009 £ 000	2008 £ 000
Net (expenditure) / income	(883)	225
Interest receivable	(8)	(54)
Depreciation charge	100	98
Disposals	-	1
(Increase) / decrease in stocks	(1)	12
Decrease / (increase) in debtors	214	(1,525)
Increase in creditors	1,436	625
Increase in provisions	40	20
Net cash inflow / (outflow) from operating activities	898	(598)

Analysis of net funds

	Balance at 01 Jan 2009 £	Cashflow movement £	Balance at 31 Dec 2009 £
Cash at bank and in hand	838	338	1,176
Net funds	838	338	1,176

15 Financial Commitments under Operating Leases

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

	2009 £ 000	2008 £ 000
Land & buildings – leases expiring:		
Within 1 year	-	-
In years 2 to 5	511	511
Total	511	511

Notes to the Financial Statements

16 Share Capital

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

17 Related Parties

The Fairtrade Foundation is one of the 21 National Labelling Initiatives that are members of Fairtrade Labelling Organisation International eV, the umbrella organisation based in Germany that is responsible for the international standards that underpin Fairtrade and, through its subsidiary FLO-CERT GmbH, for certifying adherence to the standards by producers. As a National Labelling Initiative the Fairtrade Foundation pays membership fees to FLO eV and FLO-CERT and also sources external funds for FLO's work from third party donors. Details of the fees paid to FLO eV and FLO-CERT are given in note 4.

As explained in the Structure, Governance and Management section of the Report of the Trustees, up to eight Trustees are appointed by the members of the Fairtrade Foundation. During the year, four Trustees were employees of member organisations: Rosemary Byrde (Oxfam), Melissa Duncan (Traidcraft Exchange), Patricia Alexander (Shared Interest Society Ltd) and David McCulloch (Oxfam). Oxfam and the Shared Interest Foundation provided grant support to the Foundation in the course of the year, details of which are provided in note 3. (Traidcraft Exchange is a sister charity of Traidcraft plc, a licensee company which pays licence fees to the Fairtrade Foundation on the sales of Fairtrade marked products.)

Silver Kasoro, from the African Fairtrade Network, Merling Preza, from the CLAC (Latin American and Caribbean Network of Small Fair Trade Producers), Tomy Mathew from Fair Trade Alliance Kerala and Alex Yeboah-Afari (African Fairtrade Network) are representatives of regional Fairtrade producer groups on the Board of the Foundation. Silver Kasoro is a director and board member of Mabale Growers Tea Factory and Merling Preza the General Manager of Prodecoop and both organisations are producer groups who, as part of the Fairtrade system, are subject to certification inspections from, and pay associated fees to, FLO-CERT.

One of the Trustees, Nabilai Suma, is also a director of FLO-CERT, the organisation responsible for producer and trader certification.

The Fairtrade Foundation used Andrum Ltd for recruitment consultancy services in 2009. David Clayton-Smith, the Chair of the Board of Trustees, is a partner in this company. Costs of £4,000 were incurred with Andrum Ltd, of which less than £1,000 was outstanding at 31 December 2009 and is included in Creditors.

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

Patron

George Alagiah

Resigned 15 July 2009

Directors/Trustees

Patricia Alexander ACA (Treasurer) ¹

Rosemary Byrde ⁴

Resigned 2 November 2009

David Clayton-Smith (Chair) ^{1 3 4}

Silver Kasoro Atwoki

Resigned 2 November 2009

Tomy Mathew

Simon Maxwell ¹

Ed Mayo

Merling Preza

Melissa Duncan ¹

Bert Schouwenburg

Nabilai Suma ^{3 4}

Joy Thompson ²

Alex Yeboah-Afari

Appointed 16 December 2009

David McCulloch

Appointed 25 March 2010

Independent Committee Members

Richard Gough ¹

Maria Standingford ^{1 3}

David Krucik ¹

Appointed August 2009

Ann Davison ²

Appointed August 2009

Rob Hardy ²

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)

Mike Gidney

(Deputy Executive Director)

Appointed July 2009

Ian Bretman

(Director of Strategy and Innovation)

Tim Gutteridge

(Director of Finance and Resources)

Barbara Crowther

(Director of Policy and Communications)

Chris Davis

(Director of Producer Partnership)

Martin Hill

(Director of Commercial Relations)

Ron Hinsley

(Director of Certification Operations)

Martin Tyler

(Director of Special Projects)

Resigned August 2009

Cheryl Sloan

(Director of Marketing)

Appointed April 2009

Reference And Administrative Information

Company Secretary

Martin Tyler
Tim Gutteridge

until 24 August 2009
from 24 August 2009

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 #
United Reformed Church
World Development Movement #

indicates founder member status

Bankers

CafCash Ltd
Kings Hill
West Malling
Kent
ME19 4TA

The Co-operative Bank
King's Valley
Yew Street
Stockport
Cheshire
SK4 2JU

HSBC
31 Holborn Circus
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Triodos Bank NV
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