



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2016



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Sorting coffee beans in Ethiopia

MESSAGE FROM THE CHAIR

2016 has been a successful year for the Fairtrade Foundation. It was the first of our five-year strategy *Fairtrade Can, I Can* and we got off to a flying start.

We worked intensively on our new creative direction – Don't Feed Exploitation, Choose Fairtrade – to spark an even greater emotional connection with consumers, citizens and supporters, and drive home the need for Fairtrade.

We continued to focus on our core commodities, which has driven volume growth in bananas, coffee and other categories, despite a challenging retail sector. Sales of certified products also grew, and we began to evolve our model to work in new and innovative ways with companies. In November 2016, we launched our partnership with Mondelez International, which will lead to five times as much Cadbury chocolate being made with sustainably sourced cocoa and a third more farmers receiving equivalent or increased benefits.

Meanwhile, 50,000 supporters petitioned the Prime Minister, calling for fairer trade deals for millions of vulnerable farmers and workers in developing countries after Brexit. And we finished the year with 625 Fairtrade Towns, 150,000 supporters and 1,178 Fairtrade Schools, who all champion Fairtrade tirelessly.

As you read this report, you will see the progress Fairtrade has made towards achieving our strategy to change trade and change lives. However, we must never be complacent. When we set out our strategy 18 months ago, we talked about changing and adapting to a world of uncertainty. With the turbulent political landscape during 2016 at home and abroad, and the challenges which arise as a result, we have been working even more closely with Fairtrade International and our producer networks to strengthen our global system and ways of working together.

I would like to thank every single producer, supporter, consumer, parliamentarian, business, campaigner and staff member who made 2016 the success it was. We laid the foundation for an equally successful 2017, and look forward to the challenges and opportunities that come our way as we continue on our mission to change trade.

We must never forget those at the sharp end of our supply chains, which is why Fairtrade has never been more relevant or more needed.



Michael Jary,
Chair, Fairtrade Foundation Board

TRUSTEES' REPORT (INCORPORATING THE REPORT OF THE DIRECTORS AND THE STRATEGIC REPORT)

OUR VISION

Fairtrade's vision is a world in which all producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future.

OUR MISSION

Our mission is to connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives.



Krishnakumari, Shanmugalexmi and Birasmani pick tea in the Nilgiri Hills of Tamil Nadu, India

OBJECTIVES AND ACTIVITIES

We live in a world where too many farmers and their families are still going hungry, paid too little to afford healthcare or education for their children. We live in a world where workers toil in dangerous conditions, and exploitation is still rife. There are big issues like climate change to tackle.

Our objectives are to fight poverty by changing trade, and to highlight the issues affecting farmers and workers across the world who work hard yet still struggle to survive. We elevate the voices of farmers, speaking truth to power.

By choosing Fairtrade, shoppers, supporters, businesses, schools and campaigning groups have created change through their everyday actions. They have supported farming communities to feed their families, and fund ambulances, maternity clinics and health centres. Remote, marginalised communities now have infrastructure that didn't exist before – schools, electricity and clean water.

To achieve our objectives, our activities include:

- **Offering businesses and consumers a number of ways of engaging with Fairtrade.** This includes licensing and auditing the use of the iconic FAIRTRADE Mark, and Fairtrade Sourcing Programs, certification schemes that both follow the Fairtrade Standards. Meanwhile, our programmes and

partnerships with businesses support and offer expertise to companies and hold them to account so they can play a greater role in transforming trade for the better.

- **Using research to raise awareness of the challenges facing poor communities around the world.** Sharing the evidence of what works to address the root causes of poverty and injustice in trade means we can mobilise community groups, politicians and businesses in the UK to redouble our efforts towards a fairer and more sustainable world.
- **Working as part of an international movement.** We are a member of Fairtrade International, which oversees, develops and regulates the international standards of certification that underpin Fairtrade and include the Fairtrade Minimum Price and Fairtrade Premium.

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.



Pre-school children in a cocoa farming community, Ghana

ACHIEVEMENTS AND PERFORMANCE

Here's what we said we'd do in 2016,
our key successes and how they help
us achieve our strategy.



Taking a break on a coffee farm in Ethiopia

OUR 2016-2020 STRATEGY

CHANGING TRADE, CHANGING LIVES: FAIRTRADE CAN, I CAN

FOCUS ON IMPACT



By 2020, we will have increased the volume of bananas, coffee, cocoa, tea and flowers sold on Fairtrade terms.

We will have increased the number of farmers and workers who benefit from programmatic work on climate change, gender, productivity and hired labour.

MAKE FAIRTRADE PERSONAL



By 2020, we will have a brand that sparks an even greater emotional connection with citizens, consumers and supporters.

We will have built and strengthened alliances and coalitions with policymakers and the media to influence change, amplifying the voices of farmers and workers.

IMPROVE AND INNOVATE



By 2020, we will have evolved from a single approach of certifying products to a portfolio of services.

We will increase the number of companies we work with that contribute to sustainable development in ways that really matter to farmers and workers, and which are accountable and transparent.

STRENGTHEN OUR ORGANISATION



By 2020, we will have played a lead role internationally in becoming a simpler, more flexible, cost-effective movement.

Strengthening our networks at origin is of equal importance. Farmers and workers already own half of the system – by 2020, they will have even more say in how Fairtrade is run.

FOCUS ON IMPACT



By 2020, we will have increased the volume of bananas, coffee, cocoa, tea and flowers sold on Fairtrade terms.

We will have increased the number of farmers and workers who benefit from programmatic work on climate change, gender, productivity and hired labour.

WHAT WE SAID WE'D DO IN 2016

- Protect existing volumes of Fairtrade coffee, developing programmatic work with partners to enable coffee producers to be less vulnerable and more climate resilient. We aim to raise suitable funding for project delivery in these areas from 2017.
- Protect existing volumes of Fairtrade cocoa, and support development of the international cocoa strategy and the West Africa Cocoa Program.
- Protect and grow existing volumes of Fairtrade bananas, and develop programmatic work with partners around living wage to pilot between 2016 and 2018.
- Protect and grow existing volumes of Fairtrade flowers, developing programmatic work with partners around living wage and gender. We aim to raise suitable funding for project delivery in these areas from 2017.
- Protect existing volumes of Fairtrade tea and establish the Fairtrade Foundation as the most credible and impactful sustainability organisation with UK tea businesses and consumers. We will scope and establish thematic work around living wage and income and raise suitable funding for project delivery from 2017.
- Protect and grow existing volumes of cotton, sugar, wine, and gold.
- Deliver impact to producers through programmes and projects developed with Fairtrade organisations, and partnerships with key retailers and accounts.

OUR KEY SUCCESSES

4% increase in coffee volumes to 22,887MT

We worked with key accounts to drive Fairtrade coffee sales in 2016. Greggs, Starbucks, Taylors, Patisserie Valerie and Waitrose have all generated new business.



► Why it matters

A study on Fairtrade coffee in Mexico, Peru, Tanzania and Indonesia by the Natural Resources Institute at the University of Greenwich found that Fairtrade increases prices and incomes. The research said that Fairtrade producers generally obtain greater gross household income compared to non-Fairtrade producers in three of the four countries. Income was 16 percent higher in Mexico, 47 percent higher in Peru and 107 percent higher in Tanzania. Researchers found that Fairtrade supported the strengthening of producer organisations, and that farmers received better services and training, and were better able to invest in their businesses.

►► Learning and improving

The researchers encouraged Fairtrade to scale up its support for coffee producer organisations, and to seek ways to incentivise greater organisational efficiencies – such as managing equipment between organisations. They also encouraged Fairtrade to take more practical steps to tackle gender inequality in coffee farming and research ways to better support hired workers and young people.

OUR KEY SUCCESSES

New cocoa commitments through FSP

Fairtrade Sourcing Programs (FSP) helped to protect our cocoa volumes in 2016. Mars's first full year of FSP generated 3,500 MT of Fairtrade cocoa. And Co-op committed to FSP cocoa for all of its own-brand products from 2017 – a first for a UK retailer. While cocoa volumes were down 3 percent on the previous year, it was against the backdrop of consumers switching to healthier options.



► Why it matters

Cocoa farmers in West Africa face a perfect storm of problems, including low prices, poor yields, high levels of poverty and child labour. Increased Fairtrade sales are helping us to support farmers through Fairtrade Premium, and we are also scaling up programme work with our partners and producers to work on long-term solutions.

►► Learning and improving

A study into Fairtrade cocoa farms in West Africa by the World Agroforestry Centre and Bioversity International found good access to training, but a need for more investment in productivity and crop diversification. They also recommended improving gender equity and women's leadership in co-operatives.

5% increase in banana volumes to 244,965MT

Sainsbury's, Co-op and Waitrose led the field in Fairtrade bananas while Lidl and Tesco gave the category a notable boost. Lidl were up 57 percent and Tesco 23 percent. Meanwhile, Greggs continued to show their commitment by listing Fairtrade bananas. We laid the groundwork for a pilot programme with Waitrose around improving banana workers' wages by co-funding a study with the International Labour Organization.



► Why it matters

In 2016, we published *Fairer Fruit: Fairtrade's impact in the banana industry*. It drew on five studies covering Colombia, Ecuador, Peru, the Dominican Republic, the Windward Islands and Ghana. Our report revealed how Fairtrade has been found to improve livelihoods. It showed there were positive impacts on income for banana farmers and benefits for workers on plantations, as well as better living standards, food security and wellbeing for both. Studies also found an improved sense of ownership, communication and trust for workers on many Fairtrade plantations.

Work on wages in flowers

Flower volumes decreased by 2 percent in 2016. Meanwhile, we developed a proposal for a minimum floor wage to be included in the new Fairtrade Standard for flowers and plants, as part of our international living wage strategy. We were also part of a team to work towards living wages for Fairtrade flower workers by 2020.



►► Learning and improving

Research by Women Working Worldwide in 2016 helped to highlight risks of sexual harassment in Kenyan flower farms. The Fairtrade Standards require grievance procedures to be in place so that women workers can safely report problems. Tsitsi Choruma, Chief Operating Officer, Fairtrade Africa, and former Senior Advisor for Gender in the Fairtrade system, believes these structures are necessary to ensure harassment is reported and addressed: 'We need to build confidence – the softer skills mean these women are able to talk. We must build the power within them. We also need to involve men to enhance equality and empowerment.'

OUR KEY SUCCESSES

Protecting tea

In 2016, Fairtrade tea volumes remained level but this outperformed the industry decline of 6 percent as black tea sales fell. Meanwhile, we laid the groundwork for taking our Offer to Business to tea brands. Working with the Network of Asia and Pacific Producers, we began designing our flagship programme in north-east India, which aims to drive long-term improvements in the living and working conditions of tea workers.



Cotton volumes stable at 1,000MT

Continental Clothing Co., the National Union of Students and a number of other companies made commitments to Fairtrade cotton. And we secured £100,000 from clothes charity Traid to fund a programme to cultivate non-GM cotton seeds with farmers.



Why it matters

A baseline study of Fairtrade cotton in Mali, Burkina Faso and Senegal by Aidenvironment found that Fairtrade farmers, particularly women, had better access to services, substantially better prices and lower costs. Fairtrade organisations also scored better on gender and climate change.

Learning and improving

The study found that the impact was lower than desired because of poor market access. Fairtrade is encouraged to use the new Fairtrade cotton sourcing model to increase cotton sales volumes and promote greater take up of Fairtrade cotton.

Fall in sugar volumes

There was a decline of 14 percent in sugar volumes in 2016. This fall is set against a backdrop of businesses switching to British or European sugar sources.



New commitments to Fairtrade

We now have 420 licensees. In 2016, we generated new business with Interflora (poinsettias); Co-op (cocoa); Tesco (bananas, wine and sugar); Lidl (coffee, cocoa and bananas); Starbucks (coffee); Clogau Gold (engagement rings), Aldi (flowers), Morrisons (cocoa), Patisserie Valerie (various) and Greggs (bananas and tea).



OUR KEY SUCCESSES

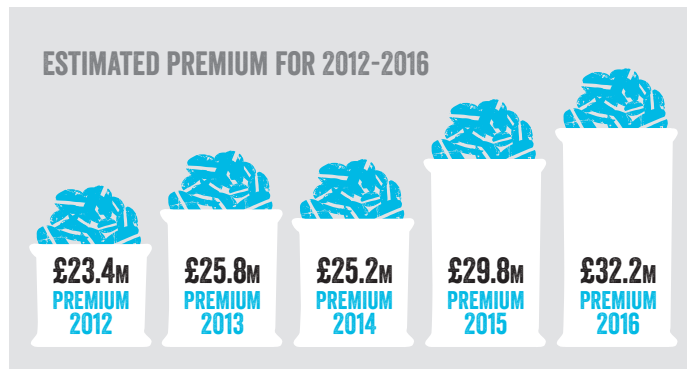
More investment for farmers and workers

The Deepening Impact programme has so far seen 25 partners invest in 17 projects across 12 countries, supporting 12,000 farmers. Key programmes started in 2016 focused on a wage improvement programme in bananas in the Dominican Republic and the sourcing of Fairtrade coffee from a new origin in Indonesia.



More Fairtrade Premium

In 2016, Fairtrade Premium was up £2.8 million on the previous year to £32.3 million. An example of how farmers use their Premium is the Sidama Coffee Farmers Cooperative Union in Ethiopia, who have provided scholarships to hundreds of children. They have also funded three new school buildings for local primary schools, built new roads and paid for electricity lines to be installed, reaching more than 5,000 people. The union also provides training to develop high quality coffee processing skills.



LEARNING FROM OUR IMPACT IN 2016

Fairtrade fighting poverty

As in previous years, Fairtrade International published a number of independent impact studies in 2016, including cocoa, coffee and cotton, as well as the eighth edition of *Monitoring the Scope and Benefits of Fairtrade*, a summary of key data about Fairtrade producers and sales.

We also carried out the first in a series of household surveys aimed at assessing long-term changes in farmers' lives following Fairtrade certification. Our plan is to collect panel data from the selected Fairtrade households over three years to see how their lives change. We surveyed households in Fairtrade certified banana, cocoa and coffee producer organisations in the Dominican Republic, India, Ghana and Kenya.

The results found that the likelihood of household poverty is significantly lower where Fairtrade crop cultivation is the main source of income. It outperforms other sources such as paid employment or the receipt of remittances. The survey also confirms that the probability of poverty reduces when there are higher levels of education in the household.

The results also helped identify useful learning which will help us target support for producers and programme design.



Cocoa farmer Beatrice Boakye, Ghana

MAKE FAIRTRADE PERSONAL



By 2020, we will have a brand that sparks an even greater emotional connection with citizens, consumers and supporters.

We will have built and strengthened alliances and coalitions with policymakers and the media to influence change, amplifying the voices of farmers and workers.

WHAT WE SAID WE'D DO IN 2016

- Invest time in developing a new brand proposition that reinvigorates the Fairtrade brand and the public pull for Fairtrade in the UK. We aim to create a more visceral connection to the reality of unfair trading practices, ready for launch in 2017.
- Utilise multiple media channels to grow awareness of, and engagement with, Fairtrade to maintain top of mind and relevance.
- Build on the new Fairtrade All-Party Parliamentary Group (APPG) to further our dialogue with government, ensuring that the Fairtrade Foundation has strong cross-party parliamentary support that in turn helps build government support for Fairtrade. We will initiate and develop dialogue with civil servants and ministers, and ensure that the Foundation has strong high-level relationships with Department for International Development (DFID) ministers and key DFID staff who support potential funding.
- Deliver high quality impact research evidence to inform learning and accountability. We will support corporate needs for Monitoring, Evaluation and Learning (MEL) in learning and planning, and global MEL. We will support the fundraising team with MEL advice and input on funding proposals, reporting and evaluation. We will deliver information and briefing outputs, such as commodity briefings and producer profiles, website resources and content.

**DON'T FEED EXPLOITATION.
CHOOSE FAIRTRADE.**



OUR KEY SUCCESSES

Don't Feed Exploitation. Choose Fairtrade.

We developed a new creative direction to deepen people's emotional commitment to Fairtrade throughout our new strategy. With a launch date of Fairtrade Fortnight 2017, we invested time during 2016 to produce creative guidelines, a hard-hitting film and campaign materials to communicate our new message.



OUR KEY SUCCESSES

Marketing Fairtrade

Campaigns for Valentine's Day, Mother's Day and the launch of Fairtrade poinsettias aimed to help Fairtrade flowers bloom. Meanwhile, Fairtrade Fortnight, commercial partner events, the London Coffee Festival and work with Fairtrade organisations helped increase awareness of Fairtrade more broadly.



Building relationships with Fairtrade organisations

Throughout the year, we gave individual pioneering Fairtrade businesses a two-week slot on our channels to promote them and their impact. Content on Facebook, Twitter and our Guardian Sustainable Business hub ranged from celebrating National Nut Day to a piece about entrepreneurial Chilean honey farmers.



Fairtrade Fortnight

We continued to drive support for Fairtrade Fortnight in 2016. The campaign highlighted issues around food security, and how farmers struggle to feed their families despite working hard to grow the food we eat. We showed how Fairtrade supports them to put food on the table. The call to action was for supporters, campaigners, schools and consumers to enjoy a Fairtrade breakfast, hold events and raise awareness. We also produced two films about food security in Colombia featuring two families farming bananas and coffee, which we shared on our social channels.

Supporters held a total of 1,625 community events. Meanwhile, 5,500 school events took place, like the one below and 850,000 children had a lesson about Fairtrade. There were 65,000 plays of the new school film *My Next Fairtrade Adventure*.



▶ Testing new marketing channels

We advertised on the London Underground, in stations and on trains, and on a digital billboard in central London. 77 percent of people who saw our adverts said it drove them to buy Fairtrade.

▶▶ Connecting farmers with the public

Four producers visited the UK to share their stories. Sheena Varghese from India, Luz Marina Garcia Ruiz and Julio Mercado Cantillo from Colombia, and Patrick Kaberia Muthaura from Kenya, above, attended more than 80 events around the country. Meanwhile, two gold miners helped launch our Discover Fairtrade Gold campaign at our supporter conferences later in the year.

OUR KEY SUCCESSES

More stories in the media

We increased our media presence throughout the year with relevant stories across different channels. This generated a potential reach of 457 million and over £3 million worth of advertising space in Fairtrade Fortnight alone. Below, gold mining in Uganda by Ian Berry, Magnum photographer, as featured in *The Telegraph*.



Building relationships with decision-makers

We were delighted to work with Jason McCartney MP (Con) and Holly Lynch MP (Lab) in establishing an APPG for Fairtrade. At its launch event in Fairtrade Fortnight, below, over 50 MPs were represented, including former DFID Minister Desmond Swayne. APPG members have worked hard throughout the year in Parliament to keep Fairtrade on the agenda. Day to day, we have had regular dialogue with civil servants and ministers in DFID, the Department for International Trade and the Business, Energy and Industrial Strategy Department to encourage support for Fairtrade farmers and workers in government policy.



Response to Brexit

Following the EU referendum, Brexit became a major work stream for us. A positioning paper, intensive lobbying and campaigner support resulted in 50,000 people signing our petition to Theresa May asking for fair trade deals after Brexit (pictured below). We also submitted evidence to the review of the Groceries Code Adjudicator, the supermarket regulator, as part of work promoting market regulation which better supports Fairtrade farmers.



Increased supporter engagement

We recruited 23,000 new supporters through promoting our petition to Theresa May about Brexit. We reconnected with 24 percent of our dormant supporters using a special email journey to inspire and engage them again.



OUR KEY SUCCESSES

Communicating learning about Fairtrade

We increased the resources available that 'translate' in-depth learning about Fairtrade in an easy-to-read form. This included our report *Fairer Fruit*, which compiles the main findings of recent studies into Fairtrade bananas.

An important new area is learning from new programme partnerships, such as those with Waitrose and Mondelēz International. We are setting in place improved systems to assess the impact and lessons learned from these new forms of partnership, so that we can be publicly accountable and share learning with others.



FROM FARM TO FAIRTRADE FORTNIGHT

One of the stars of Fairtrade Fortnight in 2016 was banana farmer Julio Mercado Cantillo.

We filmed Julio on his farm in Macondo, Colombia, where he lives with his family, to find out what Fairtrade meant to them. We shared the powerful film during Fairtrade Fortnight, and Julio flew to the UK to tell his story.

One of the benefits of Fairtrade for Julio has been better and more stable prices for his bananas, which has improved his income and the food security of his family.

'When we began growing bananas, it was tough. There were some days when we only had one meal,' he said.

“ SINCE WE JOINED FAIRTRADE, EVERYTHING HAS CHANGED. WE HAVE ALL OF OUR DAILY MEALS. ”

Julio and wife Alicia managed to buy farm animals because of the prices they get. This provides an extra source of food, and the opportunity to bring in more income by selling the animals.

Fairtrade has also meant more knowledge about the export market.

'Before, we didn't have information, there was no communication. They didn't explain anything to us and we didn't know where our product would end up,' Julio said.



IMPROVE AND INNOVATE



By 2020, we will have evolved from a single approach of certifying products to a portfolio of services.

We will increase the number of companies we work with that contribute to sustainable development in ways that really matter to farmers and workers, and which are accountable and transparent.

WHAT WE SAID WE'D DO IN 2016

- Successfully transition and fully implement the new fundraising strategy with associated structural changes to the fundraising team.
- Implement the Info Centre and Connect applications for all licensees.
- Continue to respond to market conditions by creating innovative services and products.



Rice farmers Teerawat Phantummas (left) and Bonnsorn Namkiew, Thailand

OUR KEY SUCCESSES

£1.6m in fundraising income

We raised £1.5 million in grants and £100,000 in donations. We connected with the 'business engagement hub', a new part of the Department for International Development, to create a funding relationship with them to secure future funds.



£1.5M
RAISED IN GRANTS



£100,000
RAISED IN DONATIONS

Improving our systems

The Info Centre and Connect project was delivered on time and under budget, and has improved licensee satisfaction with our reporting systems.

A new programmes, policy and partnerships strategy

We invested in our Programmes, Policy and Partnerships team, recruiting a new director in 2016. They developed a new strategy and started engaging colleagues across the system on its delivery. The key objectives are to increase resources for programmes and increase our influence across institutional and commercial donors.

OUR KEY SUCCESSES

Laying the foundations of the Waitrose partnership

During 2016, we developed and agreed key details and the financial package behind the partnership. This includes commitments on Fairtrade products, investment in living wage programmes in banana plantations and work to improve the impact of the Waitrose Foundation.



PROGRAMME PARTNERSHIP STRATEGY

Mondelēz International partnership

Following extensive consultations with producers, and with their support, we signed a new partnership with Mondelēz International in November 2016. This secured benefits equivalent to or greater than the Fairtrade Premium for a third more farmers than their previous Fairtrade sourcing.



£1.1M
PROGRAMMATIC
INVESTMENT

Mondelēz
International

A GROUND-BREAKING COMMITMENT

Cadbury, owned by Mondelēz International, and Fairtrade announced a new global partnership in 2016. The commitment was to support more cocoa farmers, their families and communities by extending Cadbury's farmer-focused, industry-leading Cocoa Life programme to all Cadbury products in the UK and Ireland by 2019. As a result, five times as much Cadbury chocolate in the UK will now be made with sustainably sourced cocoa.

Fairtrade will become a partner for the whole Cocoa Life programme, working together to secure the long-term future of cocoa farming communities. The partnership builds on a relationship established in 2009, and aims to drive greater scale and impact for cocoa farmers like Kwame Fosu in Ghana, who has already benefited from being part of Cocoa Life and Fairtrade.

“ BECAUSE OF THE KNOWLEDGE I HAVE ACQUIRED TO INCREASE PRODUCTIVITY, I’VE BEEN ABLE TO BUY TRANSPORT THAT I WANT TO USE TO DO SOME BUSINESS TO EARN MORE INCOME... I WANT TO USE IT FOR A TAXI. ”



STRENGTHEN OUR ORGANISATION



By 2020, we will have played a lead role internationally in becoming a simpler, more flexible, cost-effective movement.

Strengthening our networks at origin is of equal importance. Farmers and workers already own half of the system – by 2020, they will have even more say in how Fairtrade is run.

WHAT WE SAID WE'D DO IN 2016

- Contribute to international projects where we have expertise and capacity and actively contribute to international working groups and projects, including supporting capacity building for producer networks to deliver more services locally.
- Carry out a full staff survey, and use the results to develop and improve the organisational and performance culture which is led by our values.
- Support the 2020 strategic priority to Focus on Impact through the Organisational Development and Design work stream, helping teams to re-align in the transition period to our new strategic goals.



Workers drying coffee beans in Guatemala

OUR KEY SUCCESSSES

Leading international projects

We led on a number of system-wide projects on behalf of the wider Fairtrade movement in 2016. These included development of our Offer to Business, the West Africa Cocoa Programme, programmatic work in flowers and coffee, living wages in bananas, global key account management and the Mondelēz International partnership.



Improved employee engagement

Our employment engagement figure rose to 77.5 percent in 2016 – up from 70.2 percent in 2013. Meanwhile, 100 percent of volunteers would strongly agree or agree that they would recommend Fairtrade as a place to volunteer.

Realigning teams to strategic goals

We started to implement our Organisational Development and Design plan in the last quarter of 2016, with work plans scheduled to follow in 2017.

OUR KEY SUCCESSES

Review of our office space

A space usage survey highlighted that we could reduce our office space by 40-50 percent. We interviewed and chose commercial agents, who put the office on the market in July. We also developed plans to use our space more efficiently, to be delivered in 2017.

Improved financial processes

An upgrade to our finance system allowed us to improve many of our processes and procedures.

Strengthened systems

We made a number of enhancements to our systems. These resulted in improved security, stability and efficiency.

GROWING STRONGER WITH FAIRTRADE

Evagerine Wamuyu works in the packaging department at Simbi Roses, a flower farm near Thika, Kenya. Simbi produces cut flowers for the export market, employing 585 workers, who produce up to 200,000 stems a day.

The workers have chosen to use their Fairtrade Premium to provide small loans. That means workers like Evagerine have been able to make household improvements.

“ OUR FOOD SITUATION HAS IMPROVED, GREATLY. WITH AN INTEREST-FREE CREDIT I WAS ABLE TO BUY A GAS BOILER. ”

Premium has also funded free lunches for workers to avoid malnutrition, and covered dentist bills. The workers also decided to use their Premium to build loos at local primary schools, which have helped to improve the health of the children.

And Premium has gone towards bursaries to cover part of the fees for workers' children to go to secondary school, college and university. This is a breakthrough opportunity for young people who would not otherwise be able to afford to go on to further education.



PLANS FOR 2017 AND BEYOND

2017 will be the second year of our strategy and plans will continue to deliver impact around our four goals.



- Protect and grow volume sales of our key products – tea, coffee, cocoa, flowers and bananas – and drive growth in the smaller, newer categories of wine, cotton and gold to generate Fairtrade Premium and impact in our supply chains.
- Increase the number of commercial partners engaged with Fairtrade in new ways, including sourcing commitments, programme investment, supply chain services and partnerships.
- Develop and implement our new programmes, policy and partnerships strategy to deliver more investment and impact for farmers and workers.
- Build relationships with government and Parliament to drive shifts in public policy and business behaviour that support the enabling environment for Fairtrade, and make trade fairer.



- Embed the 'Don't Feed Exploitation. Choose Fairtrade.' brand narrative with key audiences.
- Position Fairtrade and our partners as part of the solution to challenges farmers and workers face through partner marketing.
- Engage our supporter base on our Brexit campaign.
- Grow our digital and supporter engagement.
- Develop and launch our public fundraising offer.

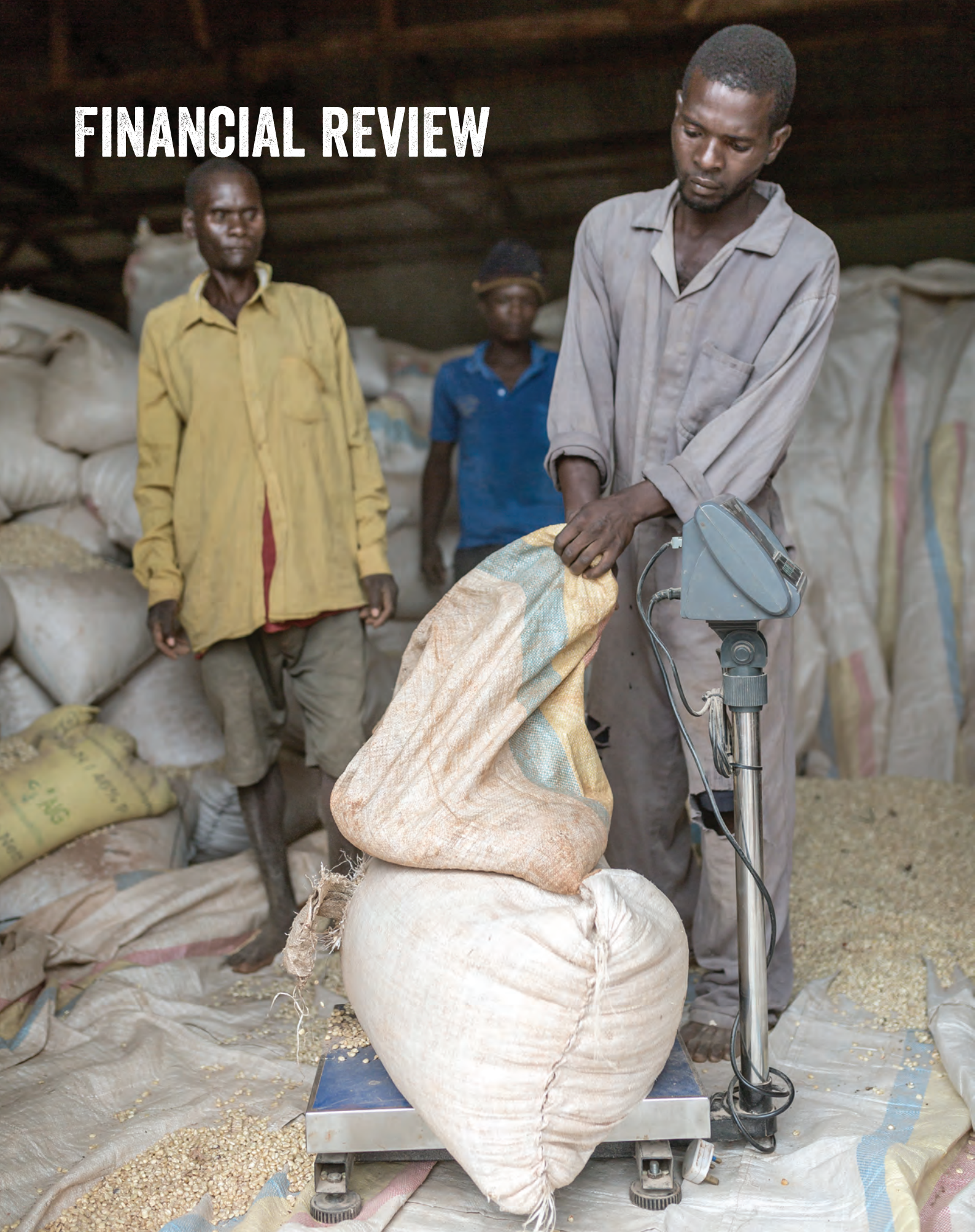


- Develop and evolve our Offer to Business with the evolution of Fairtrade Sourcing Programs and new partnerships, programmes and services.
- Agree and start implementing a new brand architecture as part of the global system. To support this, we will embed a clear narrative with supporters, consumers and stakeholders as to why the Fairtrade Foundation needs to grow and diversify with a portfolio of offerings and sub-brands.
- Improve the effectiveness and efficiency of our business services, such as developing and agreeing a new partnership model, developing new contract and fee structures and simplifying our business engagement processes.



- Increase our project management capability.
- Develop leadership skills, our culture and ways of working that will increase the Fairtrade Foundation's capability.
- Identify and secure new premises for 2018 onwards.
- Consolidate our relationship with FLOCERT, especially regarding UK trader audit.
- Launch and enhance our Customer Relationship Management system.

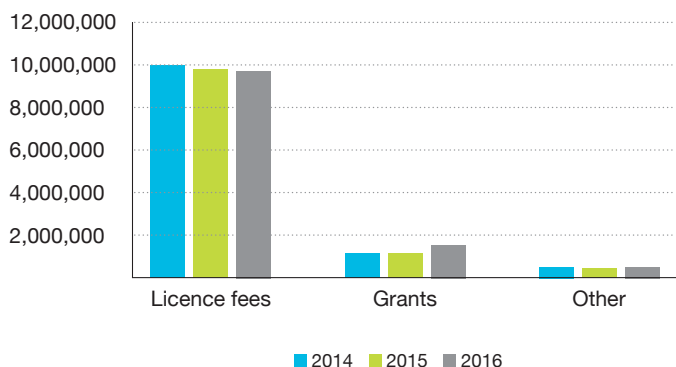
FINANCIAL REVIEW



Weighing coffee beans in Malawi

FINANCIAL PERFORMANCE

Trend in income



Total incoming resources in 2016 increased by 4 percent to £11.8 million from £11.3 million. The increase was largely due to growth in restricted grant income. This is in line with our strategy to reduce our reliance on licence fees by diversifying our sources of income. To this end, we are exploring new ways of working with businesses and other stakeholders. Licence fees continue to represent the majority of total income (2016: 83 percent, 2015: 87 percent). Licence fee income remained flat at £9.84 million. To mitigate this trend, Fundraised income from grants and donations grew 32 percent to £1.6 million from £1.2 million. Funding from the Department for International Development (DFID) constituted £750,000 of grants. However, the funding through the DFID Programme Partnership Agreement came to an end in 2016. The increase in income was due to new restricted funding of £356,000 from Comic Relief for the Gold I.M.P.A.C.T Programme, and £196,000 from Jersey Overseas Aid Commission for work on sugar and coffee. Further information about these other grants is given in Note 17.

Total expenditure increased by 10 percent to £12.1 million from £11.0 million. The increase was due to growth of £1.4 million in Focus on Impact, reflecting our strategy of moving more funds to the South through increased fees to our producer networks and shifting the focus of Fairtrade system-wide projects towards the South. This was partially funded by a reduction of £0.4 million in Improve and Innovate. Of the total expenditure, charitable expenditure represented 97 percent and the cost of raising funds was 3 percent (2015: 97 percent, 3 percent).

Total funds decreased by 10 percent to £3.8 million from £4.2 million. Restricted funds increased to £339,000 from £203,000. Unrestricted funds decreased by 13 percent to £3.5 million from £4.0 million.

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. An organisational development review was undertaken in 2016 and completed in 2017. This led to a reduction in annual staff costs of £0.4 million and a reduction in full-time equivalent staff of 12. There is ongoing work to improve the efficiency and effectiveness of the organisation.

INVESTMENT POLICY

The Memorandum and Articles of Association allow the Fairtrade Foundation to invest funds not immediately required as the Trustees think fit. Due to the low level of cash reserves, the Foundation has only invested in on-call cash accounts. However, 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.

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 target set for the end of 2016 was £2.5 million, equivalent to 12 weeks' unrestricted expenditure. Free reserves, excluding fixed assets, were £3.1 million and were therefore above the minimum reserves level.

In order to focus our limited resources, savings need to be made from designated fund activities as well as general fund expenditure. Trustees took the view that designated funds are no longer required and should be managed in the same way as general funds. As a result, Trustees decided to transfer designated funds to general funds on 1 January 2016 (see Note 17).

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, excluding cash held as agent, decreased in the year to £1.3 million from £1.6 million. The additional cash held as agent of £277,000 (2016: £553,000) was held on behalf of the Fairtrade movement and is not owned by the Foundation. Cash flow forecasts are prepared regularly and future cash needs are taken into account when setting reserves targets and budgets.

The Trustees have reviewed the reserves policy as at 31 December 2016. Under the policy, the target reserves level is based on the higher of:

1. Risk based calculation of £2.1 million (2015: £1.9 million), based on the financial implications and likelihood of significant risks.
2. 12 weeks' of unrestricted expenditure; £2.5 million (2015: £2.5 million).

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The Trustees undertake a regular review of risks and opportunities facing the Fairtrade Foundation. It is an integral part of the management undertaken by the Senior Leadership Team, and a newly established Operations Team. 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 are appropriate. One method of combating risks and uncertainties 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 UK economy and grocery market – the continued pressure on retailers to reduce prices threatens sales of Fairtrade products while 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 presents risks and opportunities for Fairtrade and there will be continued uncertainty for the foreseeable future. Fairtrade is campaigning to protect producers and workers from the risks arising out of Brexit. Sainsbury's announced in May 2017 that they were launching 'Fairly Traded' tea. We are working to minimise the impact on producers and to minimise confusion for consumers.

Competition and innovation – Fairtrade needs to evolve as the needs of producers, workers and commercial partners change over time. It is important to innovate in the way that we provide services to licensees and retailers so that we remain a leader and preferred partner in ethical trade. We have created a New Services and Partnerships Team that focuses on new ways of working with producers and commercial partners, for example, developing a partnership with the Waitrose Foundation.

Meanwhile, with funding from the Esmée Fairbairn Foundation, we are carrying out policy and advocacy work on Unfair Trading Practices and Competition Law.

For the Foundation specifically, there is also the risk of lack of diversity of income, since most income currently arises from licensing. To mitigate this, we are innovating by extending our fundraising work, to bring in new streams of income.

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 of changes being difficult to make or decision-making too complicated. However, this is mitigated through various cross-movement groups, including representatives of the movement's organisations. For example, the Board of Fairtrade International has representatives from the producer networks and the national Fairtrade organisations. Fairtrade International is developing a new international finance model which may lead to corresponding changes in governance across the movement. In 2016, both the Foundation and Fairtrade International went through organisational development reviews to streamline their structures to improve efficiency and effectiveness.

Reputation – Fairtrade is 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 Fairtrade is able to make accurate claims of success, learns from experience, is open and constructive when challenges are brought to light, and continues improving to maximise impact for producers and workers. We also now have a supply chain risk management process in place which enables us to more proactively monitor risks in supply chains, working closely with our producer networks.

STRUCTURE, GOVERNANCE AND MANAGEMENT



A meeting of cocoa and coffee farmers in Côte d'Ivoire

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 and January 2017. 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 48.

TRUSTEE APPOINTMENT AND INDUCTION

The Board can comprise up to 12 Trustees who are appointed by the process determined by the Articles of Association. Up to two positions are available to be elected by the 16 members and a further four positions available for appointment from the full membership. Two co-opted places are allocated to producer representatives and a further two places are 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. Elected Board members have the power to co-opt further Trustees so long as the total number of Trustees does not exceed 12.

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

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 the launch of 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 and independent sub-committee members. 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 five sub-committees: the Finance and Audit Committee, Certification and Assurance Oversight Committee, Nominations Committee, Partnerships Committee 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.

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

The Certification and Assurance Oversight Committee is composed of one Trustee of the Board as a minimum, with the remaining members drawn from stakeholders in the Fairtrade sector with no one interest dominating. The Committee meets at least four times a year to:

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

The Nominations Committee consists of the Chair of the Board, and at least two further Trustees of the Board, who 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 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 consists of four Board 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 Programmes, Policy and Partnerships.

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 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 from Croner confirms the need for a market premium. The decision to pay a market premium is approved by the Remunerations 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.
- 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.

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 retained the Investors in People Bronze award in 2015, which commented positively that 'Nearly all employees confirmed that Fairtrade provides equal opportunities and is living its values related to diversity'.

We aim to continue to improve diversity reporting and monitoring, and taking action as a result. We promote mentoring for aspiring female leaders through the Aspire Foundation. 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 to the general public.

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 65 volunteers helped in the Fairtrade office at some time during the year, and provided 8,222 hours to the organisation.

TRUSTEE CHANGES

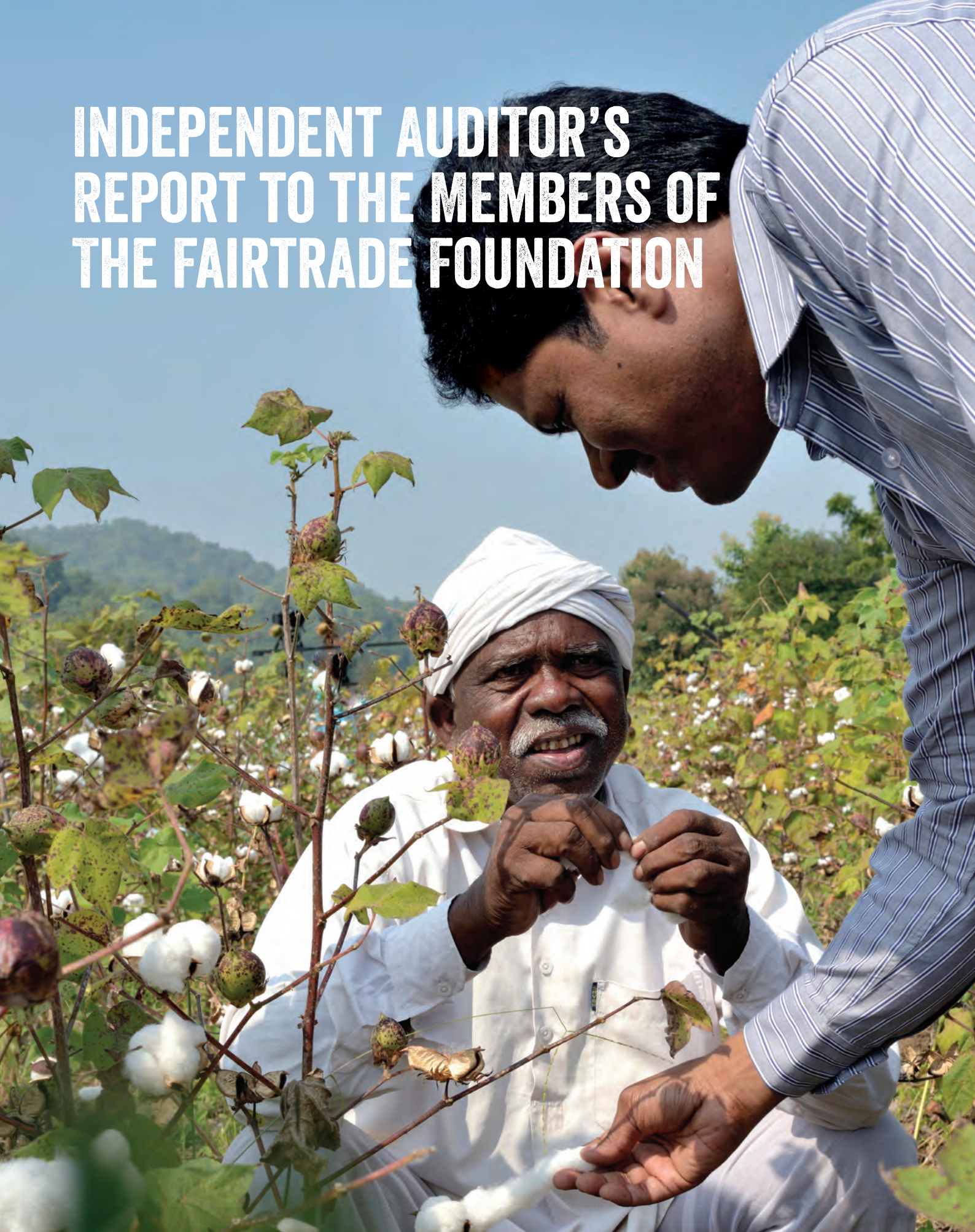
Elizabeth May has stood down as a Trustee since the last report. During 2016, Alison Marshall and Brenda Achieng were appointed to the Board.

This report, including the strategic report, was approved by the Trustees of the Fairtrade Foundation on 26 June 2017, in their capacity as company directors, and signed on its behalf by



Michael Jary
Chair of the Board
Fairtrade Foundation
26 June 2017

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



Audit inspection with a cotton farmer in India

We have audited the financial statements of the Fairtrade Foundation for the year ended 31 December 2016 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes numbered 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

In addition, we read all the financial and non-financial information in the strategic report and the Trustees' annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended.
- Have been properly prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; and have been prepared in accordance with the requirements of the Companies Act 2006. The Board has four sub-committees: the Finance and Audit Committee, Certification and Assurance Oversight Committee, Nominations Committee and Remuneration Committee.

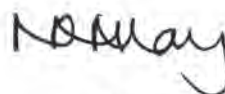
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the Trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Date: 4th July 2017

Nicola May
Senior Statutory Auditor

For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

Fairtrade Foundation
Statement of financial activities for the year ended 31 December 2016
(including the income and expenditure account)

	Notes	2016 Unrestricted £000	2016 Restricted £000	2016 Total £000	2015 Total £000
Income					
Donations and legacies	2	105	12	117	129
Grants	4	750	765	1,515	1,108
Investment income		2	-	2	3
Charitable activities					
Licence fees		9,764	-	9,764	9,842
Sale of awareness-raising items		30	-	30	17
Other	5	256	71	327	248
Total income		10,907	848	11,755	11,347
Expenditure					
Raising funds	6	390	-	390	353
Charitable activities					
Focus on Impact		3,486	534	4,020	2,646
Improve and Innovate for partners and producers		3,618	-	3,618	4,025
Make Fairtrade Personal		3,865	178	4,043	3,989
Total charitable activities		10,969	712	11,681	10,660
Total expenditure		11,359	712	12,071	11,013
Net income/(expenditure), being net movement in funds	9	(452)	136	(316)	334
Reconciliation of funds:					
Fund balances brought forward		3,950	203	4,153	3,819
Fund balances carried forward	17	3,498	339	3,837	4,153

The breakdown of 2015 figures between restricted and unrestricted funds is shown in Note 19.

There were no recognised gains or losses for 2016 or 2015 other than those included in the statement of financial activities. All activities are continuing. The Notes on pages 32 to 46 form part of these financial statements.

The income in the statement of financial activities reflects income directly received by the charity. In addition, Fairtrade sales raise premiums which are received by producers. The Fairtrade Premium is shown on page 11.

Fairtrade Foundation
Balance sheet as at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Intangible assets	11	352	339
Tangible assets	12	8	22
Current assets			
Stock		24	36
Debtors and accrued income	13	3,895	3,731
Cash at bank and in hand		1,270	1,621
Cash at bank – held as agent		277	553
Total current assets		5,466	5,941
Liabilities			
Creditors: amounts falling due within one year	14	(1,847)	(1,956)
Net current assets		3,619	3,985
Total assets less current liabilities			
Creditors: amounts falling due after one year	14	(27)	(78)
Provision for liabilities and charges	15	(115)	(115)
Net assets		3,837	4,153
The funds of the charity:			
Unrestricted funds			
General funds		3,498	2,396
Designated funds		-	1,554
Total unrestricted funds		3,498	3,950
Restricted funds		339	203
Total funds		3,837	4,153

The financial statements, including the balance sheet, were approved and authorised for issue by the Board of Trustees on 27 June 2017 and were signed below on its behalf by



Michael Jary
Chair of the Board

Fairtrade Foundation
Statement of cash flows for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Net cash provided by operating activities	20	(445)	37
Cash flows from investing activities			
Purchase of property, plant and equipment		(182)	(193)
Change in cash and cash equivalents in the year		(627)	(156)
Cash and cash equivalents at 1 January	20	2,174	2,330
Cash and cash equivalents at 31 December		1,547	2,174

Fairtrade Foundation

Notes to the financial statements for the year ended 31 December 2016

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 Fairtrade 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, 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 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 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 comprised unrestricted funds that had been set aside by the Trustees for particular purposes. The balance on designated funds as at 31 December 2015 was transferred into unrestricted funds on 1 January 2016 and the Foundation does not currently hold any designated funds.

1.4 Incoming resources

All incoming resources are included in the statement of financial activities when the charity is legally entitled to the income, receipt is probable and the income can be measured with sufficient reliability.

The Fairtrade 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 cover the costs of monitoring and verification to ensure compliance with Fairtrade Standards and contribute to 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. Monitoring and auditing of most UK licensees is currently undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLOCERT.

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 while covering costs. For this reason the cost of these items is included in the statement of financial activities as part of charitable expenditure to promote public awareness.

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.

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 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 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 24.

1.10 Redundancy/termination payments

Redundancy and termination payments are accounted for in the period in which they are agreed.

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 £45,000 (2015: £24,000).

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

	Unrestricted	Restricted	2016	2015
	£000	£000	Total	Total
			£000	£000
Triodos Bank Fairtrade Saver Account	7	-	7	6
Other donations	98	12	110	123
Total donations	105	12	117	129

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 Fairtrade Foundation.

3 Donated goods and services

The charity benefited from donated legal services from Herbert Smith Freehills and Latham & Watkins. They are valued in the accounts at £nil (2015: £nil).

The accounts include £nil (2015: £25,000) in relation to donated services in relation to brand analysis and concept development work (see Note 5).

Additional resources were provided by 65 general unpaid volunteers who contributed a total of 8,222 hours of work in the year, and four seconded staff who were with us for up to six months each. Volunteers provided administrative support and policy, advocacy 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

	Unrestricted £000	Restricted £000	2016 Total £000	2015 Total £000
Member grants				
Shared Interest Foundation	-	-	-	5
Other grants				
Comic Relief				
Gold I.M.P.A.C.T Programme	-	356	356	
Extending Fairtrade Gold to Africa	-	-	-	15
Department for International Development				
Programme Partnership Agreement (PPA)	750	-	750	750
European Commission				
EC Vote4FairTrade	-	-	-	13
Big Lottery Fund				
Women in Coffee	-	96	96	128
Esmée Fairbairn Foundation	-	67	67	67
Charities Aid Foundation	-	50	50	-
Jersey Overseas Aid Commission				
Sugar	-	127	127	-
Coffee	-	69	69	-
Guernsey Overseas Aid Commission	-	-	-	22
European Year of Development	-	-	-	24
Ferguson Charitable Trust	-	-	-	50
Fairtrade International				
Contribution to banana hired labour evaluation	-	-	-	29
Other smaller grants	-	-	-	5
Total other grants	750	765	1,515	1,103
Total grants	750	765	1,515	1,108

5 Other income

	Unrestricted £000	Restricted £000	2016 Total £000	2015 Total £000
Cross-border sales administration fees	28	-	28	39
Consultancy fees	180	-	180	64
Other fees and royalties	48	71	119	145
Total other income from charitable activities	256	71	327	248

Cross-border sales administration fees: the Fairtrade 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. Consultancy fees include donated services of £nil (2015: £25,000) for brand analysis and concept development work – see Note 3.

6 Expenditure

	Direct staff costs £000	Other direct costs £000	Support costs £000	2016 Total £000	2015 Total £000
Raising funds	206	62	122	390	353
Charitable activities:					
Make Fairtrade Personal	1,571	1,544	928	4,043	3,989
Improve and Innovate	1,698	917	1,003	3,618	4,025
Focus on Impact	749	2,828	443	4,020	2,646
Total charitable activities	4,018	5,289	2,374	11,681	10,660
Total expenditure in 2016	4,224	5,351	2,496	12,071	11,013
Total expenditure in 2015	3,946	4,615	2,452	11,013	

Other direct costs and support costs include payments made to Fairtrade International eV, FLOCERT GmbH and other National Fairtrade organisations around the world. Membership contributions of £1.6 million (2015: £1.8 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 £237,000 (2015: £48,000) are payable to FLOCERT, an independent certification company offering Fairtrade certification services. This is higher than in 2015 due to credit notes received in 2015 in relation to services provided between 2011 and 2014.

Producer network contributions of £708,000 (2015: £394,000) are distributed to producer networks by Fairtrade International. Contributions of £361,000 (2015: £300,000) 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 £28,000 (2015: £39,000).

Support costs of £2.5 million (2015: £2.5 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:

	2016 £000	2015 £000
Human resources	425	365
Finance	412	453
Information technology	475	439
Management and administration	318	353
Governance	83	98
Facilities	783	744
Total support costs	2,496	2,452

7 Grants payable to institutions

	SOFA heading	2016 £000	2015 £000
Fairtrade Ireland	Make Fairtrade Personal	37	34
Fairtrade Africa and other African partners	Focus on Impact	412	267
Other grants to institutions	Focus on Impact	106	83
Total grants payable		555	384

Where we make grants to other organisations, a Memorandum of Understandings or a grant agreement is put in place which sets out the purpose of the grant and the responsibilities of all relevant parties.

The grant to Fairtrade Ireland is to support them to develop the Irish market for Fairtrade products.

The grants to Fairtrade Africa and other African partners are in relation to extending Fairtrade Gold to East Africa, the Growing Women in Coffee project and supporting Fairtrade sugar (see Note 17 for further details).

The other grants to institutions are provided to Fairtrade organisations to help them develop and communicate their impact for farmers, producers and workers.

Support costs of £78,000 (2015: £53,000) have been allocated to grant-making activities.

8 Governance costs

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

	2016 £000	2015 £000
Trustee expenses	3	7
Fees payable to charity's auditors for the audit of the charity's annual accounts	17	16
Other governance costs	16	22
Staff costs	48	53
Total costs	84	98

No remuneration was paid to Trustees in the year (2015: 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. £3,000 (2015: £7,000) was reimbursed to 3 Trustees (2015: 7 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

Net income is stated after charging:

	2016 £000	2015 £000
Depreciation/amortisation of fixed assets	183	135
Fees payable to charity's auditors for the audit of the annual accounts for the current year	17	16
Fees payable to charity's auditors for other accountancy services	2	6
Operating lease rentals and service charge: land and buildings	694	637

10 Staff costs

	2016 £000	2015 £000
Wages and salaries	4,280	4,157
Employer's National Insurance costs	424	413
Employer's contribution to defined contribution pension schemes	382	377
Agency staff	85	10
Staff costs	5,171	4,957
Staff recruitment costs	47	50

Number of employees whose emoluments, excluding employer pension costs, fell within the band:

	2016	2015
£60,000 - £69,999	3	3
£70,000 - £79,999	-	1
£80,000 - £89,999	1	1
£90,000 - £99,999	1	1

The Fairtrade Foundation's highest salary was 3.9 times the lowest salary during 2016, in line with our policy to ensure the highest salary is no more than 5 times the lowest salary.

Contributions in the year for the provision of defined contribution pension schemes to higher paid staff were £29,000 (2015: £37,000).

The Senior Management Team comprised the Chief Executive, the Chief Operating Officer (until September 2016), the Director of Finance and IT, the Director of Public Engagement, the Director of Product Integrity, the Commercial Director, the Director of Policy and Public Affairs and the Director of Programmes, Policy and Partnerships (from mid-2016). The total employee benefits of key management personnel of the charity were £521,000 (2015: £528,000). During 2016, the roles of Chief Operating Officer and Director of Finance and IT were removed and will be replaced by a Chief Financial Officer in 2017.

Average headcount in 2016 was 118 (2015: 120).

Redundancy/termination payments in the year came to £39,000 (2015: nil).

11 Intangible fixed assets

	Software and website £000
Cost at 1 January 2016	1,587
Additions	180
Disposals	(906)
At 31 December 2016	861
Amortisation at 1 January 2016	1,248
Charge for period	167
Disposals	(906)
At 31 December 2016	509
Net book value at 1 January 2016	339
Net book value at 31 December 2016	352

12 Tangible fixed assets

	Office equipment £000	Fixtures and fittings £000	Total £000
Cost at 1 January 2016	218	242	460
Additions	2	-	2
Disposals	(84)	-	(84)
At 31 December 2016	136	242	378
Depreciation at 1 January 2016	200	238	438
Charge for period	14	2	16
Disposals	(84)	-	(84)
At 31 December 2016	130	240	370
Net book value at 1 January 2016	18	4	22
Net book value at 31 December 2016	6	2	8

13 Debtors and accrued income

	2016 £000	2015 £000
Licence fee debtors	1,423	1,811
Accrued licence fee	1,884	1,058
Amounts due from Fairtrade International and other Fairtrade organisations	253	306
Other debtors	22	54
Prepayments and accrued income	313	502
Total debtors due within one year	3,895	3,731

14 Creditors

	2016	2015
Creditors: amounts falling due within one year	£000	£000
Trade creditors	247	322
Amounts due to Fairtrade International and other Fairtrade organisations	670	428
Amount held as agent for system-wide projects	169	553
Social security and other taxes	265	218
Other creditors	-	3
Accruals for grants payable	37	69
Other accruals	459	363
Total debtors due within one year	1,847	1,956

During 2015, the Fairtrade Foundation started acting as an agent for other National Fairtrade organisations by holding funds for use on system-wide projects on their behalf. The balance held at 31 December 2016 was £169,000 (2015: £553,000).

Accruals for grants payable are included at the amount stated in the grant agreement with the recipient and are expected to be paid in 2017 when a satisfactory report has been received from the grantee.

	2016	2015
Creditors: amounts falling due after one year	£000	£000
Accruals	27	78
Total creditors due after one year	27	78

15 Provision for liabilities and charges

	Provision at 1 Jan 2016 £000	Charged to SOFA to SOFA £000	Provision released £000	Provision at 31 Dec 2016 £000
Dilapidations	115	-	-	115
Total provision	115	-	-	115

The provision relates to the office lease dilapidation clause. The lease ends in 2018 and so any payments under the provision are expected to be incurred in 2018.

16 Financial instruments

	2016	2015
	£000	£000
Financial assets measured at amortised cost	5,150	5,417
Financial liabilities measured at amortised cost	1,581	1,735

17 Fund movements

	Funds at 1 January 2016 £000	Income £000	Expenditure £000	Transfers between funds £000	Funds at 31 December 2016 £000
Restricted funds					
Focus on Impact					
Gold I.M.P.A.C.T Programme	-	356	(171)	-	185
Extending Fairtrade Gold to East Africa	18	-	(18)	-	-
Swaziland sugar project	-	127	(64)	-	63
Coffee biogas project	-	69	(69)	-	-
Producer support	28	6	(30)	-	4
Growing Women in Coffee	36	97	(136)	-	(3)
Banana impact research	1	-	(1)	-	-
Haiti disaster relief appeal	-	5	-	-	5
Project Election	13	-	(13)	-	-
Value chain study	33	-	(33)	-	-
Total	129	660	(535)	-	254
Make Fairtrade Personal					
Brand architecture	-	71	(71)	-	-
Advocacy	-	50	-	-	50
Ferguson Charitable Trust	28	-	(28)	-	-
Esmée Fairbairn Foundation	46	67	(78)	-	35
Total	74	188	(177)	-	85
Total restricted funds	203	848	(712)	-	339
Unrestricted funds					
Designated funds					
Investment fund	1,193	-	-	(1,193)	-
Fixed asset fund	361	-	-	(361)	-
Total designated funds	1,554	-	-	(1,554)	-
General funds	2,396	10,907	(11,359)	1,554	3,498
Total unrestricted funds	3,950	10,907	(11,359)	-	3,498
Total funds	4,153	11,755	(12,071)	-	3,837

Description of funds

Restricted funds

Gold I.M.P.A.C.T Programme

Fairtrade's I.M.P.A.C.T Programme (Investment in Miners' Potential through Access to Capital and Transparent Markets) started in 2016 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.

Extending Fairtrade Gold to East Africa

Programme activities formally concluded in 2015, with remaining funds from Comic Relief received and distributed to partners in 2016 in line with costs they had legitimately incurred towards project activities but for which they had not been paid in 2015.

Swaziland sugar project

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

Coffee biogas project

This is funding provided by the Jersey Overseas Aid Commission to use household biogas digesters to improve livelihoods.

Producer support

We supported a range of small-scale projects in partnership with pioneer businesses, to roll out innovations which deepen impact for farmers and their communities. An example project supported in 2016 is a project with coffee farmers in Ethiopia, which was jointly supported by Matthew Algie and M&S. The project developed a 'natural' process for drying coffee using drying beds, which were constructed and farmers trained to use them. This has led to improvements in the quality of the coffee and added value to the farmers' crop.

Growing Women in Coffee

The Women in Coffee project is working with small producer organisations in west Kenya, supporting women into income-earning roles and developing a market for their coffee. 2016 saw women benefit from the construction of additional biogas technology with the support of funding from the Jersey Overseas Aid Commission. Meanwhile, funding from the Big Lottery Fund continued to support women towards developing an independent coffee brand for sale in local and international markets.

Banana impact research

This is funding from Fairtrade International towards an evaluation and baseline data collection for Fairtrade bananas in plantation contexts.

Haiti disaster relief appeal

In the latter half of 2016, Hurricane Matthew brought devastation to hundreds of smallholder coffee, cocoa and mango farmers in Haiti, wiping out their homesteads and crops after years of drought. In response, the Foundation ran an appeal to support farmers to take care of their immediate needs and so that they could return safely to work as soon as possible and build up their livelihoods.

Project Election

This is a project supported by National Fairtrade organisations in Belgium, Switzerland, Germany and the Netherlands to create, and prepare to implement, a new cross-movement product management function across these markets.

Value chain study

This is an independent academic evaluation to evaluate the impact of Fairtrade's strategy and interventions on value chains that source and sell Fairtrade products in comparison to conventional value chains in the same product sectors.

Brand architecture

This was supported by a selection of National Fairtrade organisations to review the Fairtrade brand guidelines, undertake consumer research and create a new brand architecture.

Advocacy

This is for a project that aims to engage with policymakers and raise public awareness on trade policy in the UK that affects agriculture and the development agenda.

Ferguson Charitable Trust

In 2015, the Fairtrade Foundation received £50,000 from the Allan & Nesta Ferguson Charitable Trust in support of our schools work. In 2016, the grant went towards the production and distribution of a film specifically designed for a schools audience, alongside development and distribution of school resource packs, and contributions towards the salaries of our Schools Officer and Manager.

Esmée Fairbairn Foundation

In 2015, the Fairtrade Foundation commenced a three-year project-funding partnership with Esmée Fairbairn. Funded work deals with the extension of the Groceries Code Adjudicator's mandate to help prevent unfair trading practices in the UK and EU trade context. The funding also supports 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 fund the Foundation's campaigning efforts, specifically the producer tour, which brings four Fairtrade farmers on a tour of the UK's vibrant supporter communities during Fairtrade Fortnight.

Designated funds

The Trustees decided that the designated fund is no longer required. In future we will manage projects through general funds. Designated funds were transferred into general funds on 1 January 2016.

18 Analysis of fund balances held as at 31 December 2016

	General £000	Restricted £000	Total £000
Intangible fixed assets	352	-	352
Tangible fixed assets	8	-	8
Current assets	5,134	339	5,473
Current liabilities	(1,854)	-	(1,854)
Long-term liabilities	(27)	-	(27)
Provisions	(115)	-	(115)
Fund balance at 31 December	3,498	339	3,837

19 Breakdown of 2015 figures

(i) Statement of financial activities

	Notes	2015 Unrestricted £000	2015 Restricted £000	2015 Total £000
Income				
Donations and legacies	2	78	51	129
Grants	4	752	356	1,108
Investment income		3	-	3
Charitable activities				
Licence fees		9,842	-	9,842
Sale of awareness-raising items		17	-	17
Other	5	140	108	248
Total income		10,832	515	11,347
Expenditure				
Raising funds	6	353	-	353
Charitable activities				
Focus on Impact		2,192	454	2,646
Improve and Innovate		4,025	-	4,025
Make Fairtrade Personal		3,905	84	3,989
Total charitable activities		10,122	538	10,660
Total expenditure		10,475	538	11,013
Net expenditure, being net movement in funds	9	357	(23)	334
Fund balances brought forward		3,593	226	3,819
Fund balances carried forward	17	3,950	203	4,153

(ii) Fund movements

	Funds at 1 January 2015 £000	Income £000	Expenditure £000	Transfers between funds £000	Funds at 31 December 2015 £000
Restricted funds					
Focus on Impact					
Extending Fairtrade Gold to East Africa	152	15	(149)	-	18
Producer support	28	14	(14)	-	28
Growing women in coffee	(1)	155	(118)	-	36
Banana impact research	42	29	(70)	-	1
Malawi disaster relief fund	-	41	(41)	-	-
Project Election	-	40	(27)	-	13
Value chain study	-	68	(35)	-	33
Total	221	362	(454)	-	129
Make Fairtrade Personal					
EC Vote4FairTrade	(1)	13	(12)	-	-
Smallholder advocacy research	6	-	(6)	-	-
European Year of Development	-	24	(24)	-	-
Ferguson Charitable Trust	-	50	(22)	-	28
Esmée Fairbairn Foundation	-	66	(20)	-	46
Total	5	153	(84)	-	74
Total restricted funds	226	515	(538)	-	203
Unrestricted funds					
Designated funds					
Investment fund	937	-	(41)	297	1,193
Fixed asset fund	303	-	(135)	193	361
Total designated funds	1,240	-	(176)	490	1,554
General funds	2,353	10,832	(10,299)	(490)	2,396
Total unrestricted funds	3,593	10,832	(10,475)	-	3,950
Total funds	3,819	11,347	(11,013)	-	4,153

20 Notes to the cash flow statement

Reconciliation of net income/(expenditure) to operating cash flow		
	2016	2015
	£000	£000
Net income	(316)	334
Depreciation/amortisation charge	183	135
Decrease/(increase) in stock	12	(9)
Decrease/(increase) in debtors	(171)	596
Decrease in creditors excluding short-term borrowings	(153)	(1,019)
Net cash inflow from operating activities	(445)	37

Analysis of net funds

	Balance at 1 Jan 2016	Cash flow movement	Balance at 31 Dec 2016
	£	£	£
Cash at bank and in hand	2,174	(627)	1,547
Net funds	2,174	(627)	1,547

21 Financial commitments under operating leases

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

	2016	2015
	£000	£000
Land and buildings		
Due within 1 year	511	511
Total due in years 2 to 5	256	767
Office equipment		
Due within 1 year	14	14
Total due in years 2 to 5	30	45
Total	811	1,337

Lease payments recognised as an expense were £511,000 (2015: £511,000). They are included in support costs.

22 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.

23 Related parties

The Fairtrade Foundation is one of the 21 National Fairtrade organisations that are members of Fairtrade International (formerly Fairtrade Labelling Organizations International e.V.), the umbrella organisation based in Germany that is responsible for the international standards that underpin Fairtrade.

FLOCERT GmbH is the independent body for certifying adherence to the standards by producers.

As a National Fairtrade organisation, the Foundation pays membership fees to Fairtrade International and FLOCERT and also sources external funds for Fairtrade International's work from third-party donors. Details of the fees paid to Fairtrade International and FLOCERT are given in Note 6. In addition, income of £90,000 was received from Fairtrade International (2015: £41,000) for services provided by the Foundation. £34,000 was received from FLOCERT (2015: £16,000) and £4,000 paid to FLOCERT (2015: £10,000) for additional services provided to or on behalf of the Foundation. At the year-end a net balance of £188,000 (2015: £28,000) was due to Fairtrade International and £14,000 was due from FLOCERT (2016: £83,000 due to FLOCERT).

As explained in the Structure, Governance and Management section of the Trustees' Report, up to six Trustees are appointed by the members of the Foundation. During the year, two Trustees were employees of member organisations: Elizabeth May (Traidcraft) and Barney Tallack (Oxfam International).

The Foundation purchased £1,000 (2015: £2,000) of food supplies directly from the licensee Traidcraft PLC, the parent company of Traidcraft Exchange, for use in the office and to support a Foundation staff initiative to operate a regular Fairtrade products stall within the Foundation's office. Traidcraft Exchange is a charity of Traidcraft PLC, a licensee company which pays licence fees to the Fairtrade Foundation on the sales of Fairtrade marked products.

Arun Ambatipudi (Network of Asia and Pacific Producers) is a representative of regional Fairtrade producer groups that was on the Board of the Foundation during the year.

During 2016, the Foundation acted as agent in relation to funds which are held collectively by all National Fairtrade organisations in order to fund projects which will benefit all Fairtrade organisations. The Foundation received £977,000 in contributions from other national Fairtrade organisations and paid out £1.3 million. The balance at 31 December 2016 was £169,000.

24 Pension funds – defined contribution scheme

The Fairtrade Foundation contributes towards a defined contribution scheme. The cost of this scheme is charged to the statement of financial activities and amounted to £382,000 (2015: £377,000). 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

3rd Floor, Ibex House,
42-47 Minories
London, EC3N 1DY

Registered charity number

1043886

Directors/Trustees

Brenda Achieng	Appointed June 2016
Arun Ambatipudi	Appointed September 2011
Didier Dallemagne ^{3,2}	Appointed October 2014
Paul Farthing ¹	Appointed October 2014
Jane Frost ⁴	Appointed June 2014
Michael Jary (Chair) ^{1,3,4}	Appointed August 2013
Alison Marshall	Appointed September 2016
Elizabeth May ⁴	Stood down November 2016
Rebecca Rowland ¹	Appointed January 2013
Elizabeth Sideris ³	Appointed October 2014
Nabillai Suma ²	Stood down January 2016
Barnaby Tallack ³	Appointed January 2013
Paul Thompson (Treasurer) ¹	Appointed June 2014

Independent committee members

Karen Hetherington²
Hannah Turner²
Simon Wright²

¹ Member of Finance and Audit Committee

² Member of Certification and Assurance Oversight Committee

³ Member of Remuneration Committee

⁴ Member of Nominations Committee

Senior Management

Michael Gidney
Tim Gutteridge
Barbara Crowther
Louisa Cox
Cheryl McGechie
Nilufar Verjee
David Meller
John Rew
Jonathan Dees
Rohan Hewavisenti
Euan Venters

Chief Executive
Chief Operating Officer – left September 2016
Director of Policy and Public Affairs – left January 2017
Director of Programmes, Policy and Partnerships – joined June 2016
Director of Public Engagement – returned from maternity leave August 2016
Interim Director of Public Engagement – left August 2016
Director of Product Integrity – left March 2017
Director of Finance and IT – left July 2016
Interim Director of Finance and IT – joined July 2016, left January 2017
Interim Chief Finance Officer – joined February 2017
Director of Commercial Relations

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	HSBC	Triodos Bank
Kings Hill	31 Holborn Circus	Deanery Road
West Malling	London	Bristol
Kent	EC1N 2HR	BS1 5AS
ME19 4TA		

Solicitors

Bates, Wells and Braithwaite	A4ID
2-6 Cannon Street	The Broadgate Tower
London	20 Primrose Street
EC4M 6YH	London
	EC2A 2RS

Auditor

Crowe Clark Whitehill LLP
St. Bride's House
10 Salisbury Square
London
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Registered Charity No. 1043886

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