

The Fairtrade Foundation



Annual Report and Financial Statements for the period ended 31 December 2002

The Fairtrade Foundation

Legal and administrative information

Legal status	A company without share capital limited by guarantee registered number 2733136
Registered charity number	1043886
Registered address	Suite 204 16 Baldwin's Gardens London EC1N 7RJ
Directors/Trustees	Katherine Astill (for CAFOD, appointed 15.5.2002) Barry Coates (for World Development Movement) Mike Gidney (for Traidcraft Exchange, appointed 1.4.2002) Alastair Hanton OBE (Chair) Janice Langley (for NFWI, appointed 5.6.2002) Martin Kelly (for CAFOD, resigned 15.5.2002) Adrian Stockman ACA (Honorary Treasurer) John Whitaker (for Oxfam)
Company Secretary	Phil Thompson
Bankers	CafCash Ltd Kings Hill, West Malling Kent, ME19 4TA The Co-operative Bank King's Valley, Yew Street Stockport, Cheshire, SK4 2JU Triodos Bank NV Brunel House 11 The Promenade Bristol, BS8 3NN HSBC 31 Holborn Circus London, EC1N 2HR
Solicitors	Bates, Wells and Braithwaite Cheapside House 138 Cheapside London EC2V 6BB
Auditors	Trustient Buckingham House East The Broadway Stanmore Middlesex HA7 4EB

The Fairtrade Foundation

Report of the Trustees

For the period ended 31 December 2002

The Trustees present their report and financial statements for the nine months to 31 December 2002. The Legal and Administrative information on the facing page forms part of this Report.

The Objectives of the Charity

The Fairtrade Foundation is principally engaged in:

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

The primary means of furthering the charity's objectives is through licensing and promoting the FAIRTRADE Mark ('the Mark') as an indicator that products meet international Fairtrade standards. These are designed to provide a better deal for disadvantaged and marginalised producers in developing countries. The standards that underpin the Mark are set by Fairtrade Labelling Organisations International (FLO), of which the Fairtrade Foundation is a member.

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

Review of the Period

Overview

During the nine month period reported on in this document, the Foundation made good progress in implementing the long-term strategy agreed during 2001. The position of the Mark as a unique and credible certification symbol was strengthened, and consumer awareness and product sales continued the encouraging increase that we have seen for the past four years. Funds have been secured to achieve our objective of expanding the Fairtrade product range so that the benefits of our work can be shared among many more producers. Our governance structures have been reviewed and plans have been developed to widen the membership of the Foundation and to adapt the governance structures accordingly.

Although this nine month period (arising from a change to the financial year-end) did not include a Fairtrade Fortnight campaign, our Communications Team maintained a high level of activity in media and supporter relations. The Foundation is clearly recognised as an authoritative voice in the continuing debate on globalisation and the failure of traditional market structures to help people escape from poverty and injustice. We contribute to the activities of the Trade Justice Movement in raising public consciousness about these issues and play a crucial role in offering the simple and positive consumer action through buying Fairtrade products. The plans of many of our member and partner organisations to maintain a high profile for this advocacy work over the next few years provide a significant opportunity for the Foundation to develop its activities.

We were delighted to receive the patronage of Mr George Alagiah, the distinguished journalist and broadcaster, who has long been a supporter of our work. Although the Patron has no formal role in the governance of the Foundation, George's advice, encouragement and public support for our work has proved extremely valuable.

The Need for Fairtrade

The crisis in coffee – the longest and most severe in living memory - continues to cause hardship and misery for millions across Central America, Asia and Africa. In Nicaragua thousands of hungry, homeless coffee workers and their families were forced to set up makeshift roadside camps and are surviving thanks to donations of food. Although prices recovered slightly from a thirty-year low in October 2001, farmers still received less than the cost of production throughout the year.

The precarious position of isolated, small farmers supplying vast global commodity markets was driven home by roller coaster fluctuations in world cocoa prices. Fuelled by a complex cocktail of poor harvests, political uncertainty and audacious speculation on the commodity exchanges, prices swung from a 27 year low in November 2000 to a 16 year high in October 2002. This is an impossible situation for families trying to plan for the future.

In contrast, members of producer organisations supplying the Fairtrade market can rely on a decent living from the Fairtrade guarantee, and can plan for the future; using the additional resources from Fairtrade to invest in their businesses and their communities, as the following quotation from one of our partners illustrates:

“I have been able to fix the roof of my house, there is more money for food and I can buy new shoes if I want to. We have lots of services that didn't exist before, but that make life easier: transport, health care, credit possibilities and shops with affordable basic necessities. But the most important contribution of the Fairtrade Labelling system is in my eyes that our dignity as a human being is recovered. We are no longer a plaything of the anonymous economic power that keeps us down.”

Isaias Martinez, UCIRI, Mexico

Sales of Fairtrade Products

Although the Fairtrade Foundation is not directly responsible for the marketing of products bearing the Mark, the sales achieved by our licensees through the year give a good indirect measure of the success of our communications work and of the impact on the lives of our producer partners.

Once again, there was a large increase in Fairtrade sales from supermarkets and food shops. In the period under review, we estimate retail expenditure at £48 million. This brings the total for the calendar year to £63 million, representing a 25% increase in 2002 and a near doubling of the market for Fairtrade products over the last two years.

This consistent success in the marketplace indicates that Fairtrade is achieving a ‘critical mass’ with consumer demand driving product innovation by both established and new licensees, which in turn gives consumers more opportunities to choose products bearing our independent guarantee. And, as always, the higher the sales, the bigger the difference to the producers we work with.

The scale of the Fairtrade market in the UK and internationally now enables the basic ingredients to be used in a wider range of processes and products - this means consumers now have a wider choice of Fairtrade cakes, snacks and biscuits made with cocoa, honey and sugar. Fairtrade products are also at the leading edge in new market trends – notably in the tea market with a growing number of green teas, flavoured teas and even a white tea now available with the Mark.

But businesses, especially retailers, can and should do more than just **follow** consumer demand. An excellent example of how a retailer can take a **lead** in promoting Fairtrade was the Co-op's move to make all its own label chocolate bars Fairtrade, using cocoa from the Kuapa Kokoo co-operative in Ghana. This is expected to double the sales of Fairtrade chocolate in the UK and we hope it will set a benchmark for companies for a ‘category shift’ to Fairtrade.

Fairtrade teas and coffees are now firmly established in the mainstream retail market, with nearly all the national supermarket chains stocking a selection of products. Fairtrade now accounts for nearly 14% of the UK roast & ground coffee market, and cafédirect, all of whose products carry the FAIRTRADE Mark, is now the UK's 6th largest coffee brand. Clipper Teas and Percol Coffees (who

have Fairtrade products in their ranges) are also recognised as significant premium brands, and sales of all Fairtrade teas and coffees were sufficient to make nearly 1.7 million cups every day in 2002.

But nearly one in five hot drinks are consumed away from the home (we drink a staggering 20 billion cups a year at work alone!) and this sector has been slower than the supermarkets to spot the trend. Now this is changing – Pret A Manger followed the example of Costa Coffee and Starbucks by signing up to Fairtrade, but went even further and switched all their filter coffee to Fairtrade.

In the workplace, central and local government has taken a lead. The House of Commons has used only Fairtrade coffee since 1997, followed shortly after by the Department for International Development. In 2002, the Foreign & Commonwealth Office, the Home Office and the Department of Trade & Industry all switched to Fairtrade, joining a growing number of local authorities, schools and colleges who appreciate the difference that Fairtrade makes. The private sector too is joining in – Astra Zeneca, Merrill Lynch, Microsoft, Eversheds and Nationwide Building Society were just some of the companies whose employees supported a change to Fairtrade.

Certification

The credibility of the Mark depends on a robust certification system that ensures all products carrying our logo meet international Fairtrade standards. There are two aspects to this:

- Inspection and certification of producer organisations against social and environmental standards.
- Monitoring and audit of product supply chains to ensure that the relevant ingredients in all products have been purchased from producers registered by FLO in accordance with the appropriate trading terms (e.g. minimum price).

FLO (Fairtrade Labelling Organisations International) is the umbrella body for 17 national Fairtrade initiatives across Europe, North America and Japan. FLO sets the standards and monitors compliance by producers and traders right across the world, so that, once registered, producers can sell into any of the member countries.

During 2002, FLO implemented a new structure, forming an independent specialist certification unit, which organises the inspection of over 300 producer groups and audits thousands of transactions by importers and processors. FLO has developed a network of trained inspectors based in the countries and regions where the producer organisations are based, so that local knowledge and skills are utilised and developed. There will be over 40 accredited inspectors in place by mid-2003.

The Foundation's role is to monitor and audit the transactions of companies marketing products that carry the Mark in the UK. Under the terms of the licence agreement that companies must sign in order to use the Mark, they are required to report quarterly on their purchases, sales and stock levels for all products covered by the agreement. Quarterly monitoring is backed up by physical annual audits which are carried out on our behalf by Product Authentication Inspectorate Ltd (PAI), an independent inspection company that specialises in the food sector. PAI audits in excess of 99% of all sales made in the UK market under the FAIRTRADE Mark via the 48 companies that were licensed by the end of the year.

The Foundation's certification activities are overseen by a Certification Committee consisting of two Trustees of the Foundation, two independent experts, and two members of staff with no involvement in the licensing process. Its responsibilities include:

- Assisting the Foundation to understand all certification issues and to set procedures for dealing with them.
- Setting policy on accepting companies that apply to be licensed to use the FAIRTRADE Mark and on which licensees will be independently audited.
- Considering annual audit reports submitted by PAI and reconfirming each company's certification.

International Developments

October 2002 saw the launch of the new international FAIRTRADE Mark, replacing the 'interlocking F' symbol that we have used since 1994. This was not a 'rebranding' of Fairtrade – we have been part of an international system with common standards and shared resources for producer certification since 1997 and none of this has changed – but it did enable us to develop a more contemporary and eye-catching presentation that fits better with the many premium quality products now offered with the FAIRTRADE Mark.

Public awareness of the FAIRTRADE Mark is one of our core strengths, and the current level of around 25% is the result of many years hard work by our staff, our licensees and our many supporters. Changing our logo therefore presented an enormous challenge but with careful planning and the co-operation of all our partners the changeover has gone very smoothly. Most products have already been relabelled although some will continue to carry the original Mark through 2003. The launch achieved widespread media coverage and support from retailers, helping us to maintain consumer recognition and the healthy sales trend.

Britain and Ireland were the first countries to adopt the new symbol but over the next year we expect 10 of the 17 FLO members to adopt it, creating a common identity for Fairtrade from Cork to Berlin and from Marseilles to Helsinki.

The UK is now the second largest market for Fairtrade (after Switzerland) and the Foundation is one of the driving forces in FLO International, putting time and resources into helping create a world-class body to certify and facilitate Fairtrade. In December 2002, the achievements and pioneering work of FLO in empowering disadvantaged producers and workers were recognised by the award of the prestigious King Baudouin International Prize for Development.

Promoting Fairtrade

Fairtrade has always depended on the enthusiasm and perseverance of thousands of supporters up and down the country who not only buy the products themselves, but also are eager to tell others about them. Following Garstang's lead in becoming the World's first Fairtrade town, another seven towns achieved full status (Aberfeldy, Ammanford, Haworth, Nailsworth, Strathaven, Stroud and Wells) and no less than 80 are waiting in the wings.

Programmes are being developed for many other organisations such as colleges, universities and churches. Schools are also eager to get involved and the Foundation has received a good response to its new Education Pack, which enables secondary school teachers to incorporate Fairtrade into geography, religious studies and the new citizenship curricula.

With virtually no resources to advertise the FAIRTRADE Mark, securing media coverage of our work is a vital tool in communicating our message and building public awareness. In 2002 we were very successful in both increasing the number of features (over 1800 across the various media) and broadening the audience that can hear of our work.

We maintained media interest in Fairtrade through the year, using the launch of the new international FAIRTRADE Mark and other initiatives to stay in the spotlight. The Foundation is increasingly in demand by journalists to provide an authoritative voice on development and trade issues because of our practical and human focus – explaining the impact of trade on individual farmers and workers and offering a simple way for consumers to make a difference to global inequality.

Fairtrade has a vital role in supporting wider campaigning for reform of international trade rules – the actions of people acting as both citizens and consumers creates a powerful message to the political establishment. This was powerfully demonstrated in June when over ten thousand people converged on Westminster in the biggest ever lobby of parliament organised by the Trade Justice Movement.

Ministers and MPs have been quick to acknowledge the role of Fairtrade in linking producers and consumers in a partnership for sustainable development. The Prime Minister Tony Blair, Chancellor Gordon Brown and Trade & Industry Minister Patricia Hewitt are among others who have spoken out

in support of the fair trade movement. In October, Stephen Timms Minister for Corporate Social Responsibility at the DTI hosted a breakfast meeting for senior executives of some leading UK companies to encourage support for Fairtrade. In his welcome he stated: *“Our view is that Fairtrade has an important role to play in tackling poverty. Switching to Fairtrade foods is a simple and immediate step.”*

We have also invested in research to better understand consumer perceptions of Fairtrade and to develop more effective messages that will encourage more people to buy Fairtrade products. This is particularly important as we continue to ‘mainstream’ Fairtrade and move beyond our traditional supporter constituency to engage with a wider audience.

Producer Support & Development

Since Fairtrade aims to benefit the more marginalised and disadvantaged producers, it is sometimes the case that those who need Fairtrade are not in a good position to benefit practically from it due to the lack of organisational and technical capacity. In some cases, FLO’s Producer Support Network can access grant funding to help set up development projects to address the fundamental weaknesses to enable such producers to comply with Fairtrade standards. However, if a particular producer group is relevant to only or mainly the UK market, the Foundation can provide targeted assistance against jointly agreed objectives. During the period April/December 2002 we provided such assistance to two groups of producers.

The Toledo Cacao Growers Association is a group of cocoa farmers in Belize certified by FLO for Fairtrade. They sell all of their cocoa to the UK. We have been helping them to run a capacity-building project for some years to enable them to implement good general and financial management procedures and employ an Administrator and Technical Field Officers. However, more recently, they suffered a set-back when they were hit by a hurricane in October 2001 and lost a high proportion of their cocoa trees. We helped to raise funds for them to set up nurseries to grow new trees to replace those that were lost and to introduce solar-powered watering systems to keep the young trees watered until they can be planted out. The funding for this was donated by various charitable trusts in the UK.

The second project is with a number of Fairtrade-certified producers in East Africa, the major market for which is the UK. The products include coffee, tea and honey. The objective of the project is to set up a regional consultative body in which all the producers can be represented and through which they can discuss their common problems, whether in production or marketing, and can elect people to represent them at the FLO World Forum and on the FLO Board and Standards and Policy Working Group. In this way, the producers in East Africa can have a direct input into the development and governance of Fairtrade labelling. The funding for this project is provided by the British Government’s Department for International Development.

Acknowledgements

The Trustees wish to thank all the trusts, foundations, individuals and other bodies that provided grants and donations to the charity to further its aims. CAFOD, Christian Aid, Oxfam, Community Fund, DFID (Department for International Development), European Commission, Miss KM Harbinson’s Charitable Trust, Methodist Relief & Development Fund, WF Southall Trust, Tisbury Telegraph Trust, Rowan Trust, Stephen Clark 1965 Charitable Trust, Mrs FB Laurence 1976 Charitable Trust, Polden-Puckham Charitable Trust, Wyndham Charitable Trust, Henry and Rebecca Tinsley, Morel Trust, United Reformed Church, Austin & Hope Pilkington Charitable Trust, Burdens Charitable Foundation, Souter Charitable Trust, The Beatrice Laing Trust, and SMB Charitable Trust, Emma de Yong Charitable Trust, Fairtrade Labelling Organisation International. We are also grateful to the many other donors, large and small, whose generosity and support have contributed to the effectiveness of the charity during the period. This includes the 50 volunteers who have given their time to help in the office in many ways, and the unnumbered supporters throughout the country who have organised promotional events and lobbied organisations of many kinds to adopt Fairtrade goods.

The Trustees also wish to recognise the dedication and commitment of the staff under the leadership of the Executive Director, Harriet Lamb, which are reflected in the results achieved, and to pay tribute

to the work of Julia Powell, who left the Foundation in November 2002 after 10 years service. While the success of the Foundation is due to effective teamwork among the staff and numerous external partnerships, as Head of Communications since the inception of the Foundation, Julia's many contributions over the years warrant particular appreciation.

The Organisation of the Charity's Works

The Foundation is a company limited by guarantee and a charity registered in England and Wales. It is governed by its Memorandum and Articles of Association, as adopted on 2 July 1992 and amended on 25 January 1994. The current members of the Company are CAFOD, Christian Aid, the National Federation of Women's Institutes, Oxfam, Traidcraft Exchange, and the World Development Movement. Membership could be extended to other organisations that are willing to subscribe to the charitable objects of the company.

The Foundation's policy and strategy are set by the Board of Directors/Trustees, with each member organisation having the power to appoint one Director (see list on page 1 for those who have served in this way during the year). The Directors nominated by members may appoint up to five additional Directors, with expertise in key areas of work, to serve on the Board. The Board meets every three months, while a Finance and Personnel Committee, with delegated authority in specific management functions, supervises these aspects between Board meetings. The Committee consists of two Directors, a specialist Adviser on Personnel Issues (a former Trustee) with the Executive Director, Deputy Director and the Head of Operations. It meets between Board meetings. The Foundation employed an average of 13 staff during the year. A Certification Committee (see 'Certification' section above) has also operated during the year as a sub-committee of the Board.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of its results for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors give their time and make no charge for their services to the Foundation. Expenses incurred in carrying out the work of the Foundation are reimbursed to those Directors unable to claim from other sources and, in the year under review, £116 was refunded to one Director as reimbursement of travel costs.

Financial Review

Due to changes in accounting procedures (explained in the Notes to the Financial Statements on pages 13 to 25) the financial statements for this period are not directly comparable with those for

the previous financial year. A supplement to this report (which does not form part of the Statutory Accounts) has been produced (page 26) to facilitate comparisons.

Incoming resources for the nine months (April – December 2002) were approximately £792,000 compared with approximately £877,000 for the 12 months ended 31st March 2002. This represents an increase of 21% on an annualised basis.

The proportion of total income derived from licence fees for use of the FAIRTRADE Mark continues to increase, reflecting the impact of our communications work and the efforts of our licensees and their retail customers on consumer demand for Fairtrade products.

Increasing staff numbers and the range of activities undertaken by the Foundation are placing greater demands on our core management and administration function but the costs of this activity as a proportion of total expenditure remain at a very low level (7%). This has enabled the resources applied to the core charitable objectives of the Foundation (encompassing the development of the FAIRTRADE Mark, raising consumer awareness and supporting producer organisations) to be maintained at 90% of total expenditure.

While licence fees provide a reasonably secure and predictable revenue stream for core activities, grant funding remains a crucial element for the necessary investment to expand the Fairtrade market and extend the benefits of our work to more producers in the developing world. Several major awareness raising projects have been completed or were in their final stages during the period under review, and a strategy for replacing this funding has been prepared. The Foundation has invested in employing a fundraiser which, in the short-term, increases the costs of fundraising as a proportion of grant income. For the period under review, fundraising costs accounted for just under 9% of grant income, but remain at a very low level (3%) of total income.

The Fairtrade Foundation's balance sheet shows cash balances of £201,000 and net current assets of £141,000. Much emphasis is placed on managing cash; maintaining liquidity is a vital part of our day to day operations.

We closed the year with unrestricted funds of £133,000 of which we have designated £39,000 for specific purposes in the coming year. This level is below that regarded as desirable and the Board is addressing this issue in the coming year. At the balance sheet date, none of the restricted funds were in deficit.

Investment Policy

The Memorandum of Association provides that the Company may invest money not immediately required as the Trustees think fit – subject to law. The Board's investment policy rules out speculative investment and requires that funds expected to be needed within a twelve month period be held in cash or on deposit with immediate or short term notice access. It allows funds likely to be held for longer to be placed in low-risk investments and requires that the charity is not exposed to unrecoverable taxation. The policy also requires that no investment shall be made which is likely to damage the charity's interests by offending the ethics of current and potential stakeholders.

Reserves Policy and Risk Management

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

Our responses to external risks identified play a key part in shaping our strategy and our operational plans.

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

- Written procedures governing the delegation of authority to the Executive Director and to other staff.

- Formal limits of authorised expenditure for each staff member and the requirement for at least two signatories to approve transactions above specified levels.
- Segregation of duties related to finance amongst members of staff, as far as possible.
- Regular reviews and reconciliations of the accounting records by senior staff and volunteers.
- Responding to any control issues highlighted by our auditors.

A key component of the Trustees' strategy to mitigate risk is the policy of maintaining a level of unrestricted reserves which, in accordance with guidelines issued by the Charity Commissioners, ensures that there are adequate funds to meet all current and known future liabilities. Trustees consider that holding undesignated reserves equivalent to three months' core costs provides minimum resources to respond to unexpected adverse changes in the Fairtrade Foundation's funding or activities. At the same time, excluding those funds represented by Fixed Assets, general reserves should not exceed 25% of total anticipated annual expenditure. The level of reserves is reviewed at regular intervals by the Finance and Personnel Committee.

The Fairtrade Foundation is an expanding charity in an ever changing environment and the Trustees are very much aware that the risks facing the charity are not constant. Consequently, the monitoring of risk will continue to be a high priority for the Trustees and staff.

This report was approved by the Trustees on 20th May 2003 and signed on their behalf.

Alastair Hanton (Signature)
2003
Chair of the Board
The Fairtrade Foundation

20th May

Independent Auditor's Report

To The Members Of The Fairtrade Foundation

We have audited the financial statements of the Fairtrade Foundation for the period ended 31 December 2002 which comprise Statement of Financial Activities, (incorporating The Summary Income and Expenditure Account), the Balance Sheet and related Notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective Responsibilities of Trustees and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the charity is not disclosed.

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

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 December 2002 and of its incoming resources and applications of resources, including its income and expenditure, for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Signed by:

Date: 20th May 2003

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

The Fairtrade Foundation

Statement of Financial Activities for the period 1 April 2002 to 31 December 2002
(including Income and Expenditure Account)

	Notes	April-December 2002 9 month period		Total	2001-2002 12 months Total
		Restricted £	Unrestricted £	£	£
Incoming Resources					
<i>Donations and similar incoming resources</i>					
Donations and miscellaneous income	3	862	15,516	16,378	52,842
Grants for general charitable purposes	4	0	64,650	64,650	75,250
<i>Activities to further the charity's objects</i>					
Grants receivable	5	207,373	0	207,373	329,591
Licence fees	6	0	493,866	493,866	399,671
Sale of promotional items	7	0	5,089	5,089	12,551
Interest received	8	1,197	3,034	4,231	6,781
Total incoming resources		209,432	582,155	791,587	876,686
<i>Cost of generating funds</i>					
Fund-raising	9	0	23,995	23,995	24,852
Total cost of generating funds		0	23,995	23,995	24,852
Net incoming resources available for charitable application		209,432	558,160	767,592	851,834
Charitable Expenditure					
<i>Costs of activities in pursuit of charitable objects</i>					
Public education/awareness	10	252,913	101,458	354,371	494,095
Producer support	11	33,237	3,141	36,378	121,650
FAIRTRADE Mark development & monitoring	12	21,934	333,354	355,288	198,064
Management and administration	13	0	54,217	54,217	45,666
Total charitable expenditure		308,084	492,170	800,254	859,475
Total resources expended		308,084	516,165	824,249	884,327
Net income (expenditure)	14	(98,652)	65,990	(32,662)	(7,641)
Transfers between funds		88,039	(88,039)	0	0
Fund balances brought forward		28,430	155,482	183,912	191,553
Fund balances carried forward		17,817	133,433	151,250	183,912

There were no recognised gains or losses for 2002 or 2001 other than those included in the Statement of Financial Activities.

The Notes on pages 13 to 25 form part of these Financial Statements.

The Fairtrade Foundation

Balance Sheet as at 31st December 2002

	Notes	31 December 2002		31 March 2002	
		£	£	£	£
Fixed Assets					
Tangible Assets	16		9,873		8,060
Current Assets					
Closing stock of promotional items	7	11,374		-	
Debtors	17	147,591		62,665	
Cash at bank and in hand		201,154		186,635	
		<u>360,119</u>		<u>249,300</u>	
Creditors					
Amounts falling due within one year	18	(218,742)		(73,448)	
Net Current Assets			141,377		175,852
Net Assets			<u>151,250</u>		<u>183,912</u>
Funds					
Restricted funds in surplus	19/19.2	17,817		28,430	
Total Restricted Funds			<u>17,817</u>		<u>28,430</u>
Unrestricted - designated	20	39,266		66,667	
Unrestricted	21	94,167		88,815	
Total Unrestricted Funds			<u>133,433</u>		<u>155,482</u>
Total Funds	22		<u>151,250</u>		<u>183,912</u>

Approved by the Board of Directors and Trustees on 20th May 2003 and signed on its behalf.

Name: (Signature of -)
Adrian Stockman ACA
Honorary Treasurer, Director and Trustee

Date: 20th May 2003

The Notes on pages 13 to 25 form part of these Financial Statements.

The Fairtrade Foundation

Notes to the Financial Statements

for the period 1 April 2002 to 31st December 2002

1 Accounting period

1.1 Change in Financial Year

The Trustees have decided that there are advantages in changing the financial year of the Foundation. These accounts thus cover a nine month period only – from April to December 2002. The prior year figures quoted for comparison are the audited figures for the twelve month period from April 2001 to March 2002. Due allowance needs to be made for this in making any comparisons. The Foundation's expenditure normally peaks in the January-March quarter around the Foundation's major annual awareness raising event Fairtrade Fortnight. Future accounts will cover twelve month periods – from January to December each year.

To facilitate comparisons an additional page (page 26) has been added, which does not form part of the Statutory Accounts, but which combines the (audited) nine month period April – December 2002 with the management figures covering the period January to March 2002. These are compared with the twelve month period April 2001 to March 2002 as in the audited accounts for that period.

2 Accounting Policies

2.1 Basis of preparation of accounts

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

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

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

2.2 Company status

The charity is a company limited by guarantee. The members of the Company are CAFOD, Christian Aid, National Federation of Women's Institutes, Oxfam, Traidcraft Exchange, and World Development Movement. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member. The Company is the UK member of Fairtrade Labelling Organisations International (FLO). These organisations are Related Parties in the terms of SORP 2000.

2.3 Fund accounting

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

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

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

2.4 Tangible fixed assets and depreciation

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

Depreciation is provided at rates calculated to write off the cost of fixed assets over four years on a linear basis starting in the year of acquisition.

2.5 Incoming resources

Income from grants, donations, receipts from the sale of promotional merchandise and miscellaneous income are included when received. The exception is that where donors specify that donations or grants given to the charity must be used in future accounting periods then the income is deferred until those periods.

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

Volunteers provide invaluable support to the Foundation. Volunteer supporters run local events to promote knowledge of the FAIRTRADE Mark in their communities. In addition, some 50 volunteers helped in the Fairtrade office during the period. All this voluntary work is of great assistance to the Foundation, but, for accounting purposes, it is not included as a cash receipt in these accounts.

2.6 Resources expended

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been attributed to one of the categories of resources expended in the Statement of Financial Activities (SOFA) and include a proportion of the costs of renting and running office premises, salaries for administrative staff and audit fees. The basis of apportionment of indirect expenditure is staff time spent on an activity.

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

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

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

2.7 Pensions

All permanent staff employed by the Foundation are eligible for membership of the defined contribution occupational pension scheme operated by the Pensions Trust. The scheme is contributory (staff paying 5% of salary and the Foundation 8% of salary). Alternatively, the Foundation contributes 8% of salary to approved pension schemes nominated by eligible staff provided the staff member contributes at least 5% of salary.

2.8 Value Added Tax

The charity is registered for VAT.

In common with many other registered charities, the Fairtrade Foundation's expenses are inflated by VAT legislation that prevents us reclaiming a significant proportion of input VAT. During the nine month period ended 31 December 2002, the total irrecoverable VAT suffered by the charity was £8,406 (£10,179 in the previous 12 month accounting period).

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

2.9 Taxation

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

3 Donations and Miscellaneous Income

A hurricane in October 2001 in Belize had a serious effect on the Toledo Cacao Growers Association (TCGA), which is a supplier of Fairtrade cocoa to the UK market. The TCGA's plight was publicised on our website and in our newsletter, Fair Comment. Most of the funds received in response to this appeal appeared in the last accounts but a further £862 was received during the period under review and has been transferred in full to TCGA. This amount is accounted for as restricted funds in the SOFA under donations.

The apparent decline in general income and donations is largely a matter of timing. Most voluntary income (other than grants) accrues in the January-March period each year in the run up to Fairtrade Fortnight. (The corresponding figure for the same period in 2001 was £11,082.)

4 Grants for General Charitable Purposes

4.1 Member Grants

	£	£
Oxfam	36,000	
CAFOD	18,000	
Total		<u>54,000</u>

Members are not required to make grants but, where they do, no conditions are attached that restrict the activities of the Foundation.

4.2 Other unrestricted income grants

	£	£
The Rowan Charitable Trust	5,000	
Miss KM Harbinson Charitable Trust	3,000	
Beatrice Laing Trust	1,500	
The SMB Charitable Trust	500	
The Tisbury Telegraph Trust	400	
The Emma de Yong Charitable Trust	100	
The Wyndham Charitable Trust	150	
Total		<u>10,650</u>

5 Grants Receivable to Further the Charity's Objects (Restricted Funds)

	£	£	£
Producer Support & Development Grants			
Toledo Cacao Growers Association Support			
Austin & Hope Pilkington Charitable Trust	3,000		
Mrs F B Laurence 1976 Charitable Trust	1,500		
Burden's Charitable Fund	1,500		
Henry and Rebecca Tinsley	1,000		
Stephen Clark 1965 Charitable Trust	250		
		7,250	
DFID Regionalisation project (East Africa)		23,237	
Enlarging the Fairtrade Product Range			
DFID	56,020		
Less deferred income from DFID (Note 18A)	(42,665)		
FLO European Project	9,554		
Morel Trust	1,000	23,909	

Raising Awareness		
Fairtrade Fortnight 2003 grants		
DFID	40,000	
European Commission	8,000	
Methodist Relief & Development Fund	5,000	
Polden Puckham Trust	5,000	
United Reformed Church	3,000	
W F Southall Trust	1,500	
The Souter Charitable Trust	500	
Stephen Clark 1965 Charitable Trust	250	63,250
DFID Media project		8,761
Fairtrade and Women: Making the Link (Community Fund) (see also Education Pack below)		25,177
A better deal for third world producers (European Commission; balance of grant not applied to Fairtrade Fortnight)		36,499
Education Pack (Community Fund, European Commission and others)		
Community Fund	10,000	
United Reformed Church	1,000	11,000
Trade Justice Movement Support Project		
CAFOD	4,145	
Christian Aid	4,145	8,290
Total (Restricted funds)		<u>207,373</u>

5.1 Explanatory Notes

A single grant of £44,449 was received from the European Union for the project Fairtrade – promoting a better deal for producers. In the table above £8,000 of this was allocated to Fairtrade Fortnight 2003 preparation costs (materials etc): the balance is shown as a separate grant.

In the same manner the grant of £4,000 from the United Reformed Church was allocated at their request as £3,000 to Fairtrade Fortnight 2003 and £1,000 to the preparation of the Education Pack.

The Stephen Clark 1965 Charitable Trust likewise requested that their grant of £500 be divided equally between support for the TCGA cooperative in Belize and Fairtrade Fortnight 2003.

6 Licence Fees

Licence fees for use of the Foundation's FAIRTRADE Mark are payable by companies marketing products carrying the Mark. This is an independent consumer guarantee of a better deal for Third World producers. The fees cover the costs of monitoring and audit to ensure compliance with Fairtrade standards and contribute to the costs of public education and awareness raising work. Monitoring and audit of UK licensees is undertaken direct by the Foundation, while producer certification is the responsibility of FLO International who receive a proportion of the Foundation's licence fee income to pay for this activity. The increase of 20% in licence fee income compared to the same period in 2001 reflects the growing sales of Fairtrade products in all categories and the increasing range of products carrying the FAIRTRADE Mark. The figure in the SOFA for the current period includes an 'extra' quarter's

income in respect of fees earned during the final quarter of 2002 but not due to be received until February 2003. The policy for recognising licence fee income is now that it be recognised in the period to which it relates. Provision is also now made in the balance sheet for FLO fees due in respect of all licence fee income included in these accounts (see Notes 12, 18 and 20).

7 Sale of Promotional Items

To help promote Fairtrade the Foundation increased the range of items available for sale to supporters. All display the new 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 this activity qualifies as primary purpose trading. These promotional items are sold on to supporters to cover the costs of production, processing and a contribution to overheads. The activity is seen not so much as a device to raise funds but rather to raise profile and awareness whilst covering costs. For this reason we have followed the practice adopted in the previous accounts of not allocating the cost of the items as a cost of generating funds in the SOFA but as part of charitable expenditure to promote public awareness. Due to the change of financial year end we are now recording the closing stock of such promotional items purchased in preparation for Fairtrade Fortnight 2003. The balance sheet value of the remaining stock was £11,374.

In the period under review and with support of the European Union, the Community Fund and the United Reformed Church (see Note 5 above) the Foundation produced an Education Pack which is sold on to educational institutions (formal and non-formal). The receipt of £803 is included in this line of the SOFA. Direct grant support from the donors listed above (plus the Methodist Relief and Development Fund and the Tisbury Telegraph Trust in previous years) provided £31,954 toward the total cost of the production of the pack estimated at some £60,000 – including an allocation for staff costs and overheads.

8 Interest Received

This is interest receivable on cash deposits. £1,197 is attributable to restricted funds held pending disbursement. (See Note 19 for the allocation to individual funds). The Foundation holds no other investments.

9 Costs of Generating Funds

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

	April-December 2002	2001-2002
	9 months	12 months
	£	£
Staff costs	17,097	18,814
Direct costs	474	0
Share of office services costs	3,635	3,157
Share of occupancy costs	2,789	2,881
Total	<u>23,995</u>	<u>24,852</u>

10 Public Education and Awareness

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

	April-December 2002 9 months	2001-2002 12 months
	£	£
Women's project (Community Fund, formerly NLCB)	12,518	98,532
Fairtrade Fortnight (direct costs). See Note 5 for sources of grant support	48,228	91,213
Educating and mobilising supporters (EU) –, other than share of Fairtrade Fortnight and education pack projects listed separately)	17,129	53,391
Media campaign (DFID)	6,157	31,609
Launch of new Mark 2002	7,583	-
Education Pack*	34,438	4,950
Promotional merchandise costs (less cost of closing stock £11,374)**	7,287	-
Other communications projects	28,156	12,558
Fairtrade Assembly 2001	-	9,371
Staff costs on above activities	140,198	147,255
Share of office services costs	29,808	23,630
Share of occupancy costs	22,869	21,586
Total	<u>354,371</u>	<u>494,095</u>

* Not listed separately in 2001-2, but included in 'other communications' at £4,950 now removed for ease of comparison.

** Previously included under 'other communications' and Fairtrade Fortnight expenditure at £13,318.

The total expenditure on this activity has increased, when due allowance is made for the different periods involved and also that expenditure tends to peak in the first quarter of each calendar year (see page 26 for twelve month comparative figures). A number of projects are coming to the end of their allotted funding and different activities have been funded, such as the Education Pack and more general awareness raising work including supporting the development of Fairtrade Towns and Cities.

11 Producer Support

Funding of direct support for registered Fairtrade producer organisations in developing countries.

	April-December 2002 9 months	2001-2002 12 months
	£	£
Direct support to producer groups in Belize, Eastern Africa and the Windward Isles.	28,537	21,764
Producer network support project*	-	44,747
Staff costs on above activities *	5,699	47,299
Share of office services costs	1,212	4,099
Share of occupancy costs	930	3,741
Total	<u>36,378</u>	<u>121,650</u>

* This project was managed by the Foundation on behalf of FLO until December 2002 when its secretariat was moved from London to FLO headquarters in Bonn. The staff costs for the secretariat of the project were charged through the Foundation until December 2002 and this explains the drop in staff and allied costs associated with this activity. We continue to provide support through other projects – see Note 19.

12 FAIRTRADE Mark Development and Monitoring

Costs of operating and developing the FAIRTRADE Mark as an independent consumer guarantee, including monitoring and audit of supply chains of products licensed to carry the Mark.

	April-December 2002 9 months £	2001-2002 12 months £
Developing the FAIRTRADE Mark, including developing new products (direct costs)	15,087	5,507
International monitoring fees #	249,132	114,150
UK monitoring fees*	8,286	6,958
Other direct costs of monitoring (meetings and travel)	2,497	2,059
Staff costs on above activities	58,359	52,533
Share of office services costs	12,408	8,814
Share of occupancy costs	9,519	8,043
Total	355,288	198,064

These fees are for membership of FLO (see Note 2.2). FLO is an international organisation registered in Germany, where it has a small staff. FLO monitors standards in producer countries on behalf of its members. The level of fee set by FLO is determined by reference to the values of sales of goods carrying the Fairtrade label in the previous year and now includes all fees due in respect of income earned in 2002 (see Note 6).

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

13 Management and Administration

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

	April-December 2002 9 months £	2001-2002 12 months £
Recruitment costs	61	2,882
Board costs (travel and meeting costs)	447	965
Insurance	1,449	1,277
Staff and Trustee training and development	1,922	752
Legal fees	15	15
Audit fees	2,339	2,013
Staff costs	34,879	28,588
Share of office services costs	7,416	4,797
Share of occupancy costs	5,689	4,377
Total	54,217	45,666

The sharp fall in reported recruitment costs is because £2,407 was charged direct to the project for Expanding the Fairtrade Product Range for recruiting the post funded by that project. The increase in staff costs and allied office services and occupancy costs, is to strengthen the Foundation's financial, administrative and IT capacity and is a direct result of the Foundation's success in recent years.

14 Net Income for the Period

Net income for the period is stated after charging.

	April-December 2002	2001-2002
	£	£
Depreciation of fixed assets	5,618	4,540
Audit fees	<u>2,340</u>	<u>2,013</u>

15 Staff and Trustee Costs

No remuneration was paid to Trustees in the year. Actual expenses in carrying out the functions of the Foundation are reimbursed to Trustees who are not otherwise able to claim, £116 (£182 previous year) was reimbursed in this way to one (two previous year) Trustee.

The two highest paid employees earned in the range £30,000-£40,000 per annum (full-time equivalent).

The full staff costs were:	April-December 2002		2001-2002	
	9 months		12 months	
	£	£	£	£
Wages and salaries		221,230		260,986
Social Security costs (gross)	20,752		24,044	
Less Refunded Statutory Maternity Pay	<u>0</u>		<u>(2,265)</u>	
		20,752		21,779
Agency staff		6,019		0
Pension contributions by Fairtrade Foundation		<u>8,231</u>		<u>11,723</u>
		<u>256,232</u>		<u>294,488</u>

The figures for 2001-2002 include £22,865 costs of employing a Network Development Project Manager and casual support staff for the Project. This was a project on behalf of FLO and funded entirely by FLO. The Project has now been moved to FLO's Headquarters in Bonn and no longer affects the Foundation's accounts.

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

	2002	2001-2002
Director	1	1
Marketing	2	1
Certification	1	1
Communications	6	6
Fund-raising	1	1
Administration and Support	<u>2</u>	<u>2</u>
	13	12

16 Tangible Fixed Assets

Office Equipment, Fixtures and Fittings	April to December 2002	
	£	£
Cost at 1 April 2002		34,316
Add – additions	7,894	
Less – disposals	<u>(1,724)</u>	
At 31 December 2002		40,486
Depreciation at 1 April 2002	26,256	
Less – accumulated depreciation on disposals	(1,261)	
Add - charge for period	<u>5,618</u>	
At 31 December 2002		30,613
Net Book Value at 1 April 2002		8,060
Net Book Value at 31 December 2002		9,873

17 Debtors

Due within one year	31 December 2002	31 March 2002
	9 months	12 months
	£	£
Prepayments	2,345	12,999
Licence fees (see Note 6)	136,395	29,095
Contributions to advertisement costs	0	8,102
Landlord deposit & refund due	8,113	8,037
Other trade debtors	738	2,502
Customs & Excise (VAT refund due)	0	1,930
	<u>147,591</u>	<u>62,665</u>

18 Creditors

Amounts falling due within one year	31 December 2002	31 March 2002
	£	£
Fees due to FLO in respect of licence income earned in 2002 *	144,000	-
Advertising costs for March 2002	0	49,348
Design & Print re Fairtrade Fortnight 2003	8,893	3,891
Other creditors and accruals	3,278	13,033
Certification work	7,024	0
Social Security and other taxes	8,624	7,176
Customs & Excise (VAT due)	4,258	0
Deferred income	<u>42,665</u>	<u>0</u>
	218,742	73,448

* Not previously recorded (see Note 6)

18A Deferred income

An amount of £42,665 was received from DFID in late December to fund the project to develop Fairtrade Standards and Products in the period from January 2003 and is thus treated as deferred income. There was no deferred income from the previous accounting period.

19 Restricted Funds

	Balance at 1.4.2002	Incoming	Interest credited	Outgoing	Transfer from Unrestricted funds	Balance at 31.12.2002
	£	£	£	£	£	£
TCGA support	10,594	8,112	120	10,000	0	8,826
Media Project (DFID)	0	8,761	0	23,554	14,793	0
Fairtrade and Women: Making the Link – excluding contribution to Education Pack (Community Fund)	0	25,177	300	26,693	1,216	0
Fairtrade: Promoting a Better Deal for Third World Producers includes contribution to Education Pack and Fairtrade Fortnight (European Commission)	17,454	44,499	402	117,214	59,678	4,819
Fairtrade Fortnight not including EC contribution	0	55,250	0	55,250	0	0
Education Pack not including EC contribution	382	11,000	250	23,984	12,352	0
DFID Regionalisation Project (East Africa Capacity Building)		23,237	0	23,237	0	0
Expanding the Fairtrade Product range (DFID, FLO, Morel Trust)	0	23,909	125	21,934	0	2,100
Trade Justice Movement Support	0	8,290	0	6,218	0	2,072
Totals	28,430	208,235	1,197	308,084	88,039	17,817

19.1 Each of the funds is described in more detail

TCGA Support

Grants are made to provide additional support to marginalised producers to help them make sustained progress towards self-sufficiency. A particular case is that of the Toledo Cacao Growers Association (TCGA) in Belize. A payment of £8,760 of the amount carried forward was made in January 2003 after agreement with the Association on the utilisation of the fund.

DFID Media Project

This is a programme to raise awareness through the media of the FAIRTRADE Mark and of issues facing producers.

Fairtrade and Women: Making the Link

This project is funded by the Community Fund and aims to educate women in the UK about Fairtrade and change their perception of problems facing producers in the South. The main activities are advertising, media communications, the production of an Education Pack and a competition.

Fairtrade: Promoting a Better Deal for Third World Producers

This is a jointly funded project with substantial funding from the European Commission. The project aims to raise awareness of conditions faced by producers in developing countries and the effectiveness of Fairtrade in tackling the root causes of poverty. The main activities are the major annual awareness-raising campaign of the Fairtrade Foundation, Fairtrade Fortnight; development and distribution of a video; an educational pack for schools; and production and promotion of the Foundation's newsletter FairComment.

Fairtrade Fortnight

Most of our public awareness raising activity is focused on Fairtrade Fortnight, which takes place in March each year. Supermarkets, major development charities, churches, Women's Institutes and thousands of supporters around the country promote Fairtrade during this period. Grant funding was provided by the funders listed in Note 5 above. In the period under review preparations were made for Fairtrade Fortnight 2003.

Experience indicated that we needed to process orders for posters, promotional items and other supporting activity at an earlier stage than has previously been the case to cope with the increasing demand for materials. The expenditure under this heading is almost exclusively for preparations for 2003.

Restricted grants towards the cost of Fairtrade Fortnight 2003 received within the accounting period totalled £63,250. (For detailed list see Note 5 above.)

The total expenditure in the period on Fairtrade Fortnight was £97,782 which is analysed below.

		April-December 2002
		£
Materials		47,306
Advertisements and events		432
Fairtrade Fortnight specific staff costs		20,558
Fairtrade Fortnight travel including producer visits		490
Support costs -	Staff	20,132
	Facilities and services	8,864
		<u>97,782</u>

The scale and scope of Fairtrade Fortnight continues to expand. Fairtrade Fortnight 2003 preparation has been funded from this expenditure and the response from supporters has been overwhelming. Requests far outstripped those for Fairtrade Fortnight 2002. The cost of materials does not include the cost of promotional items which are sold on to supporters to promote awareness of the Mark.

Education Pack

This is a jointly funded project. See Note 5 for funders.

This pack has been designed for students aged 11-14 and is intended for use across a range of curriculum areas. It introduces Fairtrade and world trade issues and encourages students to become active and aware global citizens.

The pack was released in October 2002 and is retailing at £15 (inc VAT).

DFID Regionalisation Project

The project aims to establish a structure which will enable producers in East Africa to directly influence the formulation of policy and implementation of practice of Fairtrade labelling. The aim is to localise as much as possible the operations of Fairtrade (such as inspection) in developing countries and to involve producers in the governance of Fairtrade.

Enlarging the Fairtrade Product Range

This project is to develop new Fairtrade products to extend the reach of Fairtrade labelling to new producers in the developing world. It will increase the range of Fairtrade products in the shops.

Trade Justice Support project

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

19.2 The balances on restricted funds at 31 December 2002 arise from grants received for projects on which expenditure is to be incurred in the coming financial year. These funds amount to:

	£
TCGA Support	8,826
Fairtrade: Promoting a better deal for third world producers	4,819
New Product Development	2,100
Trade Justice Support	2,072
Total	17,817

20 Designated Funds

	Balance at 1 April 2002	Used in year	New allocations	Balance at 31 December 2002
	£	£	£	£
FLO Fees Fund	28,000	28,000	0	0
EU project matching funds required for 2003	23,682	14,809	0	8,873
Office relocation and expansion 2003	0	0	15,000	15,000
Non-cash assets	14,985	14,985	15,393	15,393
Total	66,667	57,794	30,393	39,266

20.1 Each of the funds is described in more detail

FLO Fees Fund

This provision is no longer required as the liability is now recorded on the balance sheet – see Note 6.

EU project matching fund

Provides the resource required by the EU as a condition for their continuing to provide grant support. This amount carried forward provides the required matching funds for work to be carried out from the restricted funds carried forward at 31 December 2002.

Office relocation and expansion fund

For expanding (and possibly re-locating) the office during 2003. The growth of the Foundation's work makes it prudent to allow for re-location in 2003. We can terminate our lease at Baldwin's Gardens at three months' notice should a suitable opportunity occur. Our current lease requires us to re-instate the units at Baldwin's Garden's to their original specification and this will require significant spending on dilapidation's.

Non cash asset fund

This fund represents the depreciated cost of fixed assets used by the Foundation in its work, together with the deposit held by the landlord as a condition of our office tenancy. The funds are therefore not available for redeployment.

21 Unrestricted Funds

Funds available are sufficient to permit the charity to continue in operation in the short term given continued grant support. The Board's reserves policy is to maintain unrestricted, undesignated funds to cover three months' core costs. At the balance sheet date this is estimated at £120,000 based on the out-turn for 2002. The balance sheet shows that £94,167 was so held on 31 December 2002 and Trustees aim to increase the level of reserves.

22 Analysis of Fund Balances held on 31 December 2002

	Unrestricted	Designated	Restricted	Total
	£	£	£	£
Tangible fixed assets	0	9,873	0	9,873
Current assets	270,244	29,393	60,482	360,119
Current liabilities	(176,077)	0	(42,665)	(218,742)
Balances forward	<u>94,167</u>	<u>39,266</u>	<u>17,817</u>	<u>151,250</u>

23 Financial Commitments under Operating Leases

The charity had annual commitments under operating leases as follows:

Land & Buildings	31 December 2002	31 March 2002
	£	£
Expiry date between 1-2 years	0	39,345
Expiry date within one year	39,345	0

A further unit in Baldwin's Gardens was leased from 6 January 2003 with a commitment of £45,337 expiring in January 2004.

24 Share Capital

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

Comparison of Financial Activities over 12 month periods.

This page does not form part of the statutory accounts but is included for the convenience of readers who wish to compare activity in the reference years.

The first column presents figures for the period January to December 2002 obtained by combining the management accounts for January to March 2002 which formed part of the previous audit, with the audited Statement of Financial Activities for April to December 2002 which is on page 11. The second column provides the figures for the twelve months period covered by the previous audit.

	January-December 2002	April 2001-March 2002
	Total	Total
	£	£
Incoming Resources		
<i>Donations and similar incoming resources</i>		
Donations and miscellaneous income	56,438	52,842
Grants for general charitable purposes	86,385	75,250
<i>Activities to further the charity's objects</i>		
Grants receivable	434,822	329,591
Licence fees	598,784	399,671
Sale of promotional items	14,002	12,551
Interest received	6,090	6,781
Total incoming resource	1,196,521	876,686
Cost of generating funds		
Fund-raising	30,208	24,852
Total cost of generating funds	30,208	24,852
Net incoming resources available for charitable application	1,166,313	851,834
Charitable Expenditure		
<i>Costs of activities in pursuit of charitable objects</i>		
Public education/awareness	669,103	494,095
Producer support	56,406	121,650
FAIRTRADE Mark development & monitoring	375,317	198,064
Management and administration	65,635	45,666
Total charitable expenditure	1,191,962	859,475
Total resources expended	1,222,170	884,327
Net income (expenditure)	(25,649)	(7,641)
Fund balances brought forward	176,899	191,553
Fund balances carried forward	151,250	183,912

The net income for 2002 includes FLO fees due in respect of all income included in these accounts, and licence fees in respect of the September-December 2002 quarter, due to be paid in the following quarter, no equivalent provisions were made in 2001-2002.