

The Fairtrade Foundation



Annual Report and Financial Statements

for the year ended 31 December 2008

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The Fairtrade Foundation

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

For the year ended 31 December 2008

The Trustees, who are also directors of the charity for the purposes of the Companies Act, present their annual report and financial statements of The Fairtrade Foundation (the "charity") for the year ended 31 December 2008. The Reference and Administrative information on pages 27 and 28 form part of this Report.

Objectives and Activities

The Fairtrade Foundation licences the use of the FAIRTRADE Mark on products in the UK that meet international Fairtrade standards. The Foundation's FAIRTRADE Mark is the independent consumer guarantee of a better deal for Third World producers, and we bring together producers, businesses, communities and individuals in a powerful citizen's movement for change, to tackle poverty and injustice through trade.

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

The Foundation charges licence fees to companies marketing products that comply with the Fairtrade standards and carry the FAIRTRADE Mark. Licence fees cover the costs of monitoring and audit to ensure compliance with Fairtrade standards and contribute to the costs of public education and awareness raising work. Monitoring and audit of UK licensees is undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLO-CERT.

Charitable Objectives

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

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

Our Vision

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

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

Our mission

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

- being a passionate and ambitious development organisation committed to tackling poverty and injustice through trade;

Report of the Trustees

- using certification and product labelling, through the FAIRTRADE Mark, as a tool for our development goals;
- bringing together producers and consumers in a citizen's movement for change; and
- being recognised as the UK's leading authority on Fairtrade.

Principal Achievements and Performance in 2008

In 2007 the Fairtrade Foundation undertook a major strategic review with significant input from all our stakeholders – our licensees and retail partners, producers, NGO partners, international colleagues, funders, Trustees and staff. The review culminated in the publication of our 5 year strategy, "Tipping the Balance – the Fairtrade Foundation's Vision for Transforming Trade 2008-2012" in February 2008. The strategy sets out how the successful model of Fairtrade can be radically extended in reach and impact – to tip the balance of our trade with poor producers decisively in their favour.

The plan sets out five strategic goals for Fairtrade:

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

Trustees review progress on each priority during the year through quarterly reporting against key performance indicators. For 2008 the following progress can be reported.

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

The estimated sales value of FAIRTRADE marked products in 2008 reached £712 million, up significantly from the 2007 figure of £493 million. This represents a growth rate of 44%, consistent with the 5-year UK trend, and above the compound annual growth rate of 33% required to grow sales in the UK to £2 billion by 2012 in line with Tipping the Balance ambitions. Most importantly, producer returns are relative to volumes sold, and the real volumes (by weight or number) of produce sold under Fairtrade terms increased by 50%.

The number of producer groups supplying the UK market increased by 49 to a total of 463 by the end of 2008, an increase of 12%. (Each producer group can represent hundreds, and in some cases thousands, of farmers.) Compared to an increase in Fairtrade volume sales in the UK of 50%, these figures demonstrate that the increase in sales is driven partly by bringing in new producer groups, but also through increasing the level of sales of producer groups already within the Fairtrade system, a Tipping the Balance commitment.

In 2008, Tomy Mathew of Fair Trade Alliance Kerala, a representative of the Network of Asian Producers, joined the Foundation's Board of Trustees, joining representatives from the Latin American Fairtrade Producers Network and the African Fairtrade Network, ensuring that producers rightly take their place at the heart of the movement.

In particular the Foundation, with the support of a major grant from Comic Relief, has worked with the African Fairtrade Network to help increase capacity to develop and implement its own 5-year strategic plan. Key commitments and deliverables include increasing African producers' participation in standards development, building the capacity of the Liaison Officer network to support African producers, increasing financial assistance to support certification and capacity building of the weakest organisations, developing increased advocacy capability and establishing a Fairtrade labelling movement in South Africa.

A new innovation in the way we work to support producers includes the piloting of country partnerships. In Malawi, the Foundation worked with a wide range of partners, including producers, and the Southern African Fairtrade Network, to form a partnership to exchange market information and opportunities. Well targeted support to Malawian farmers can thus be leveraged through this network as a result of Fairtrade market opportunities in the UK. This pilot is one way the Foundation is seeking to build Fairtrade sales in the UK from producers in least developed countries. There is interest to extend this approach to other countries in Africa, Asia and Latin America, and these opportunities will be explored during 2009.

During 2008, Fairtrade standards were extended to cover olive oil, pulses, soya and vegetables, enabling existing and new producers to benefit from Fairtrade sales in these categories which will be developed during 2009. In addition, the Fairtrade Foundation played a leading advisory role in extending Fairtrade to new product sectors, including cosmetics, gold, seafood, silk, rubber and jute. Further development of these sectors in 2009 is expected to lead to product launches from 2010.

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

The credibility and effectiveness of Fairtrade comes from the level of public awareness and understanding amongst the general public. One of the key ways the Foundation measures this is through an annual consumer survey undertaken by TNS in the spring of each year. In 2008 the survey showed that 70% of the general public recognised the FAIRTRADE Mark (up from 57% in 2007) and that 64% understood that the Mark stands for a better deal for producers in developing countries.

A wide range of independent research further demonstrated the strength of awareness amongst the public of Fairtrade. A survey carried out by BOND (British Overseas NGOs for Development) put public recognition of Fairtrade as a concept at around 90% and another survey undertaken by the Department for International Development (DFID) showed that 74% of the UK public support the purchase of ethically sourced goods as the most effective way to tackle global poverty – a higher proportion than those suggesting charitable donations. Higher recognition and understanding of the FAIRTRADE Mark enabled the strap-line "guarantees a better deal for Third World producers" to be removed from the Mark in 2008. This both simplified its usage on product packaging and promotional material, it brought the UK Mark into line with our global partners, thus facilitating cross-border sales, and also removed the negative connotation associated with the term "Third World".

Fairtrade Fortnight 2008 ran from 26 February to 11 March with the theme *Change Today, Choose Fairtrade*, as a call to individuals, community groups, schools, universities and faith networks to scale up their own activity to realise the Fairtrade Foundation's vision of an even bigger movement for positive change. The supporters of the Foundation and its NGO member organisations held over 11,000 local events during Fairtrade Fortnight 2008. Building on these successes in 2008 enabled the 2009 Fairtrade Fortnight to be bigger than ever through the inclusion of a launch conference on the food crisis, a Fairtrade debate tour and an attempt at a banana eating world record, a challenge eagerly supported by the general public resulting in nearly half a million people taking part.

The level of grassroots support is demonstrated by the ever increasing number of Fairtrade Towns, Schools, Universities, Churches and other faith groups. In 2008, with the support of DFID and a range of NGOs and development education groups, we strengthened our work with young people through the national Fairtrade Schools initiative, with over 2,400 schools registered into the scheme by the end of the year.

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We also worked during 2008 to build greater diversity into our faiths campaigns. We worked with a broad range of Jewish organisations to develop the first ever Jewish campaign action guide to Fairtrade, as well as partnering with both Muslim Aid and Islamic Relief to produce our first Muslim action guide for Fairtrade Fortnight 2009.

In October 2008, with the culmination of the campaigning work, London became the world's biggest Fairtrade City, bringing together over half the London boroughs to provide the world with a Fairtrade beacon of what can be achieved in a major global city. Our Fairtrade networks were further boosted when Bruce Crowther, the founding father of Fairtrade Town campaigning and inspiration to many local campaigns, and Sophi Tranchell, Managing Director of Divine Chocolate and chair of the Fairtrade London steering group, were both awarded MBEs in the 2009 New Year's honours list in recognition of their work and commitment.

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

Commitments made in 2008 continue to drive retail sales higher – Sainsbury's and Co-op both made significant commitments in relation to their own-label hot beverage ranges and sugar. Whilst Fairtrade dedicated companies such as Traidcraft and Liberation brought new innovative products to the retail market including pasta made with Fairtrade quinoa, Liberation's Fairtrade Peanut Butter and Harry's Nuts supported by the well known comedian Harry Hill.

In February 2008 Tate & Lyle, in one of the biggest ever switches to Fairtrade, announced a commitment to convert all its retail branded sugar to Fairtrade by the end of 2009. The 6,000 small-scale growers in the Belize Sugar Cane Farmers' Association are already seeing the benefits of Fairtrade in the first stage of the conversion.

Significant investment of time and resources was made engaging with both existing and new businesses, and further commitments were made by many of our licensees. However of significant note was Starbucks' announcement in 2008 to double their global purchases of Fairtrade coffee, as well as achieve the conversion of all espresso-based coffee drinks across the UK and Ireland by the end of 2009. Over two years of work also resulted in the announcement in early 2009 of the conversion to Fairtrade by Cadbury who are committed to certification of their 'Dairy Milk' chocolate bars and entire drinking chocolate range to Fairtrade by late summer 2009. The initial conversion will provide a better deal for over 40,000 cocoa farmers in Ghana, as well as opening the door for thousands more cocoa growers in Ghana to work towards Fairtrade certification.

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

With 2 billion people worldwide still earning less than \$2 a day, the Foundation continued its work with companies and with the public to drive increased sales, and despite an increasingly difficult economic climate during 2008, most Fairtrade product sectors achieved a healthy rate of growth, thanks to the hard work of our many licensee and retail partners.

Fairtrade bananas continue to be the leading Fairtrade product in the UK with volumes increasing 33% on the 2007 levels, so that more than 1 in 4 of all bananas eaten in the UK is now Fairtrade certified.

Cotton sales continue to grow significantly, through continued commitments from Marks and Spencer, Debenhams, Monsoon and other major high street clothing retailers as well as dedicated fair trade companies such as People Tree, Bishopston Trading or Epona, through to supermarket clothing ranges, including in particular Tesco, with the estimated retail value rising from £34.8 million in 2007 to £77.9 million in 2008.

Sugar was the other major category where sales grew at an outstanding rate – more than doubling from £46.1 million in 2007 to £109.1 million in 2008 – thanks to commitments by both Tate & Lyle and supermarket own-label sugar conversions.

Other increases of note are tea volumes more than doubling, flower volumes growing by 27%, wine volumes increasing by 24%, and coffee by 15%.

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

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

The Foundation participated actively in 2008 in helping FLO bring its strategic review to a successful conclusion. The Foundation provided additional financial support to FLO to support its development and commence the implementation of its strategic plan. Significantly the Foundation's Deputy Executive Director, Ian Bretman, was seconded to FLO in 2008 as Interim Director of Strategy and continues as Executive Vice Chair of FLO until mid 2009 to assist with its strategic plans.

The Foundation worked ever more closely with other Fairtrade labelling initiatives around the world. Through active participation in global Fairtrade issues, we developed relationships and links across the Fairtrade family, finding synergies which could be utilised for building the effectiveness of the global Fairtrade system.

The development of updated systems and processes capable of supporting our intended future growth commenced within the Foundation in 2008. When this work becomes operational in late 2009, it will provide a more streamlined and efficient business process for licensees and staff, giving staff more time to invest in supporting and developing Fairtrade.

Rapid growth also places tremendous demands on the staff and the Trustees pay careful attention to this. An annual staff survey is one of the methods used to monitor staff satisfaction and effectiveness and the results for 2008 showed encouraging progress from 2007 whilst highlighting a number of areas for further improvement. We are proud that the Foundation achieved outstanding results in some areas when the survey was benchmarked against similar results of staff surveys carried out by other Non-Governmental Organisations (NGOs). Our staff survey results came top when compared to similar charities in six areas including 'understanding the organisation's strategy' and 'enjoying working for the Foundation'. The rapid growth in staffing levels in previous years had meant that the Foundation had reached the capacity of its office space. In the autumn of 2008 the Foundation relocated to a new location which will provide the space to increase staffing levels in line with the new strategic plan, 'Tipping the Balance'.

The Foundation also sought to strengthen its governance, bringing in exciting new Trustees to join an experienced team. To help drive the delivery of the new strategic plan the Foundation welcomed a new chair, David Clayton-Smith, in 2008 who took over the reins from the outgoing Mike Gidney. The Foundation would like to say a special thank you to Mike for all his leadership, encouragement, guidance and support during his six-year term, as well as Janice Langley of the Women's Institutes (NFWI) and our Treasurer Lynne Gregory who also retired from the Board. The Board also welcomed new trustees Tomy Mathew, representing the Network of Asian Producers in Fairtrade, Melissa Duncan from Traidcraft Exchange, Joy Thompson from the NFWI, Simon Maxwell of the Overseas Development Institute, and Patricia Alexander from Shared Interest as Treasurer.

Plans for 2009 and Beyond

In 2009 we will continue to strive to achieve our goals through the five strategic objectives as follows:

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

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

We will develop clear plans for the products and target countries we work with so that the most disadvantaged, especially smallholders in the world's poorest countries, reap most benefits.

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

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

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

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

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

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

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

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

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

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

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

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

Financial Overview of 2008

Incoming resources for the year increased by 12% to just over £7.2 million. However the principal component of income, the licence fees paid by companies carrying the FAIRTRADE Mark on their products, grew by 33% to nearly £6.2 million. This increase reflects the continued significant growth in the level of Fairtrade sales in the year.

Grant income decreased from £1.6 million to £0.8 million. The vast majority of this decrease (£0.7 million) is due to the second year instalment of the Comic Relief Special Initiative grant for the project 'Fairtrade for Development in Africa' arriving in February 2009. It is therefore not reflected in the income for 2008. The delayed request for this instalment was a result of set up activities in the first phase of the project taking longer than anticipated. This grant is the largest ever received by the Foundation, and is for £5 million over 5 years. Whilst the funding is initially received by the Foundation, a significant amount of the funding is subsequently passed on to FLO eV and to the Africa Fairtrade Network.

The funding relationship with Impetus Trust and co-investors, Charities Aid Foundation, continued in 2008 with core funding to assist the Foundation in the preparation and implementation of its new strategic plan. Further valuable support was secured from the Rufford Maurice Laing Foundation, the John Ellerman Foundation and the Waterloo Foundation.

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

A slight increase in donations and miscellaneous income was largely due to the full year effect of the individual giving programme, the Innovation Fund, which was trialled in late 2007. There is no major plan to invest in this area of fundraising at present due to the current economic climate. Nonetheless,

the Foundation is extremely grateful for the financial support provided by individual and group donations to the fund.

Resources expended increased from £4.8 million in 2007 to £7.0 million in 2008. The additional resources have been carefully aligned with the strategic direction of the charity with significant increase in funding allocated to certification operations, new product development, producer network support and public education and awareness.

Overall there were net incoming resources of £0.2 million which led to an increase in total funds from £3.6 million to £3.8 million. The net increase on unrestricted funding is slightly higher than Trustees envisaged and partially arose from higher licence fee income than budgeted during the final two quarters of the year.

The budget set by the Trustees for 2009 included longer term financial projections through to 2012 and the Trustees are seeking to see significant investment of resources over the next two years to ensure that the ambitious plans set out in "Tipping the Balance" can be achieved.

Investment Policy and Performance

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

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

Risk Management

The Trustees undertake a regular review of risks facing the Fairtrade Foundation and it is an integral part of the operational management undertaken by the senior management team. The Trustees believe that through this process the full spectrum of risks faced by the charity has been identified, quantified and, where appropriate, action taken on a continuing basis to manage those risks. Many of these risks are commercial external ones and reflect the fact that the Fairtrade Foundation is just one component within the Fairtrade system. The Trustees have carefully considered these risks and identified appropriate strategies for the Foundation to pursue to ensure the risks are minimised.

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

Reserves Policy

The Trustees review the reserves policy as a part of the overall risk management of the Foundation. The target level of unrestricted reserves is reviewed at regular intervals as part of the annual planning cycle. For each of the significant identified risks where there would be financial implications should that risk occur, the potential financial impact is considered together with the likelihood of that event occurring. Taking all these risks into consideration, the Trustees believe that the current appropriate range of unrestricted reserves for the Foundation is between £1.0 million and £1.2 million.

At 31 December 2008 the level of unrestricted free reserves (£3.3 million) was significantly above this target range and accordingly the Trustees have set a deficit budget for 2009 and subsequent years. This investment will allow the Foundation to develop its systems and business processes to support the future growth of Fairtrade products in the UK and provide additional support to the strategic development of FLO. The Trustees will continue to review the appropriate level of reserves so that the Foundation continues to maintain the appropriate level of financial security required for the challenges of the years ahead.

Report of the Trustees

Structure, Governance and Management

The Organisation of the Charity

The Foundation is a company limited by guarantee and a charity registered in England and Wales. It is governed by its Memorandum and Articles of Association as adopted on 2 July 1992 and subsequently amended on 25 January 1994, 20 May 2003, 15 July 2006 and 30 June 2007. The organisation was initially founded in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft Exchange, and the World Development Movement, with the National Federation of Women's Institutes joining shortly afterwards – these organisations are known collectively as the Founder Members. In 2003 membership was opened up to enable other organisations to participate in the governance of the Foundation and to share their expertise and experience with us. Organisations applying for membership are expected to have either a strong development or consumer focus, and to contribute to the promotion of Fairtrade, for example amongst their own supporters, and, when appropriate, to contribute financially. Since 2003 a total of nine organisations have joined as members. A full list of member organisations is given on page 28.

Trustee Appointment and Induction

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

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

In filling the places available for co-option the Trustees review the skills already present on the Board and identify the key skill gaps that exist as part of drawing up the specification for potential Trustees. Increasingly the Foundation uses external advertisements to attract a full range of candidates for vacancies and this was the route used successfully during the year to appoint David Clayton-Smith to the Board.

A key organisational goal for the last two years has been to strengthen the Foundation's links with producer groups and, following the appointments in 2006 and 2007 of producer representatives onto the Board a third producer representative, Tomy Mathew from the Network of Asian Producers in Kerala, India, was appointed in 2008.

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

Trustee Meetings and Board Sub Committees

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

- Setting and maintaining the Foundation's vision, mission and values and in particular agreeing and approving the strategic plan.
- Ensuring strong links with the member organisations and the Fair Trade movement.
- Contributing creatively to the development of the Foundation, including fostering relationships with major licensees.
- Developing the Foundation's policies on trade justice and other means of poverty reduction

related to the Foundation's core activity.

- Agreeing and monitoring major policies and programmes (e.g. annual plans and budgets).
- Supporting and appraising the Executive Director, and approving staffing and remuneration policies.
- Reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes, that it is managing any risks correctly and taking any remedial action needed.

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

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

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

The Certification Committee comprises six members – two members are appointed by the Board (of whom at least one must be a Trustee), two external experts from relevant fields of experience and two members of staff not involved with day-to-day certification work. With the expansion of Fairtrade over the last few years the Committee has increased the number of times it meets from four to six. The Committee meets:

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

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

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

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

Operational Management

A scheme of delegation is in place which devolves day-to-day operational management of the Foundation to the Executive Director who is supported by a senior management team consisting of two Deputy Executive Directors, Director of Commercial Relations, Director of Policy & Communications, Director of Producer Partnerships, Director of Certification Operations, Director of Special Projects, and Director of Finance and Resources. During 2008 it was agreed to strengthen the senior management team by the creation of a new role of Director of Marketing, and this post advertised and recruited and the successful candidate joins the Foundation in April 2009.

Report of the Trustees

Trustees' Responsibilities

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice applicable to charities.

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity at the end of the year and of its results for that period.

In preparing those financial statements, the Trustees 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 charity will continue in business.

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial and otherwise. They are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity 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 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 (as defined by Section 234ZA of the Companies Act 1985) 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.

During 2008, in line with best practice, the Trustees carried out an audit tender. As a result, Horwath Clark Whitehill LLP were appointed to replace haysmacintyre as the charity's auditors. A resolution to re-appoint Horwath Clark Whitehill LLP at the forthcoming Annual General Meeting will be proposed.

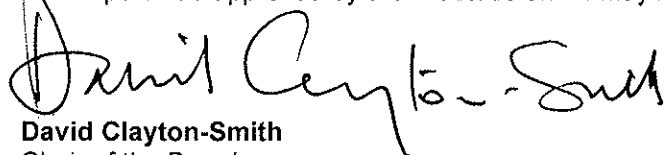
Acknowledgements

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

Volunteers provide invaluable support to the Foundation. They run local events to promote knowledge of the FAIRTRADE Mark in their communities. Fairtrade Fortnight events, and others throughout the year, depend heavily on the input of an unknown number of local volunteers. In addition, approximately 80 volunteers helped in the Fairtrade office at some time during the year and provided an estimated 1,800 days of time to the organisation. All this voluntary work is of great assistance to the Foundation, but, for accounting purposes, it is not valued within these financial statements.

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

This report was approved by the Trustees on 12 May 2009 and signed on their behalf by



David Clayton-Smith
Chair of the Board
The Fairtrade Foundation
12 May 2009

Independent Auditors' Report to the Members of The Fairtrade Foundation

We have audited the financial statements of the Fairtrade Foundation for the year ended 31 December 2008 set out on pages 13 to 26. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if in our opinion the information given in the Report of the Trustees is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept 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 other transactions with the charity is not disclosed.

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

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company as at 31 December 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Trustees is consistent with the financial statements.

Horwath Clark Whitehill LLP

Horwath Clark Whitehill LLP
Chartered Accountants & Registered Auditors
St Bride's House
10 Salisbury Square
London EC4Y 8EH
United Kingdom

28 May 2009

The Fairtrade Foundation

Statement of Financial Activities for the year to 31 December 2008 (including Income and Expenditure Account)

		2008			2007
	Notes	Unrestricted £ 000	Restricted £ 000	Total £ 000	Total £ 000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Donations	2	111	9	120	117
Grants	3	205	593	798	1,602
Investment income		53	1	54	32
<i>Incoming resources from charitable activities</i>					
Licence fees		6,179	-	6,179	4,644
Sale of awareness-raising items		71	-	71	61
Total incoming resources		6,619	603	7,222	6,456
Resources expended					
Costs of generating funds	4	169	3	172	142
Charitable Activities					
Certification and licensing		903	101	1,004	645
Market and product development		1,400	18	1,418	1,118
Producer and product support		1,465	649	2,114	1,049
Public education and awareness		1,856	272	2,128	1,559
Total charitable activities		5,624	1,040	6,664	4,371
Governance costs	5	156	5	161	297
Total resources expended		5,949	1,048	6,997	4,810
Net income / (expenditure) before transfers	6	670	(445)	225	1,646
Transfers between funds		(54)	54	-	-
Net income / (expenditure) after transfers, being net movement in funds		616	(391)	225	1,646
Fund balances brought forward		2,943	639	3,582	1,936
Fund balances carried forward	12	3,559	248	3,807	3,582

There were no recognised gains or losses for 2008 or 2007 other than those included in the Statement of Financial Activities. The Notes on pages 16 to 26 form part of these Financial Statements.

The Fairtrade Foundation
Balance Sheet as at 31 December 2008

	Notes	2008 £ 000	2007 £ 000
Fixed assets			
Tangible assets	8	252	86
Current assets			
Stock		37	49
Debtors	9	3,928	2,403
Cash at bank and in hand		838	1,647
Total current assets		4,803	4,099
Liabilities			
Creditors: Amounts falling due within one year	10	(1,228)	(603)
Net current assets		3,575	3,496
Total assets less current liabilities		3,827	3,582
Provision for liabilities and charges	11	(20)	-
Net assets	13	3,807	3,582
Funds			
	12		
Unrestricted funds			
General funds		3,307	2,674
Designated funds		252	269
Total unrestricted funds		3,559	2,943
Restricted funds		248	639
Total funds	13	3,807	3,582

The financial statements were approved and authorised for issue by the Board of Trustees on 12 May 2009 and were signed below on its behalf by



David Clayton-Smith
 Chair of the Board

12 May 2009

The Notes on pages 16 to 26 form part of these Financial Statements.

The Fairtrade Foundation

Cashflow Statement

for the year to 31 December 2008

	Notes	2008 £ 000	2007 £ 000
Net cash (outflow) / inflow from operating activities	14	(598)	1,058
Returns on investments and servicing of finance			
Interest received		54	32
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(265)	(34)
(Decrease) / increase in cash in the year	14	(809)	1,056

The Fairtrade Foundation

Notes to the Financial Statements

for the year to 31 December 2008

1 Accounting Policies

1.1 Basis of preparation of accounts

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

1.2 Company status

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

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

1.3 Fund accounting

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

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in Note 12.

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

1.4 Incoming resources

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

The Foundation receives **licence fees** from companies marketing products carrying the Foundation's FAIRTRADE Mark which is the independent consumer guarantee of a better deal for producers in the developing world. The fees cover the costs of monitoring and audit to ensure compliance with Fairtrade standards and contribute to the costs of public education and awareness raising work. Fees are calculated as a percentage of the products' wholesale value and are invoiced quarterly in arrears. Monitoring and audit of UK licensees is undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLO-CERT, who receive a proportion of the Foundation's licence fee income to pay for this activity.

Income from the **sale of awareness-raising items** is included when received or when invoiced, whichever is the earlier. To help promote Fairtrade, the Foundation sells a range of merchandise to supporters. All display the FAIRTRADE Mark prominently and help promote the Fairtrade message at supporter events around the country. As their sale contributes directly to the promotion of the Fairtrade message it is judged that the activity qualifies as primary purpose trading. These promotional items are sold on to supporters to cover the costs of production, processing and a contribution to overheads. The activity is seen not so much as a device to raise funds but rather to raise profile and awareness whilst covering costs. For this reason the cost of these items is included in the SOFA as part of charitable expenditure to promote public awareness.

1.5 Resources expended

All expenditure is included on an accruals basis. All costs have been attributed to one of the categories of resources expended in the SOFA and include a proportion of the support costs as detailed in Note 4.

Notes to the Financial Statements

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

Costs of charitable activities include all costs incurred in seeking to achieve the charity's charitable purposes. **Certification and licensing** costs include the monitoring and audit of supply chains, both in the UK and internationally, of products licensed to carry the Mark.

Market and product development covers establishing and maintaining licence agreements and relationships with companies producing and distributing Fairtrade products and major retailers. **Producer and product support** is the cost of developing new products and Fairtrade standards, including the establishment of supply chains and assisting new producers to enter Fairtrade, and support provided directly to producer groups and their regional networks. **Public education and awareness** are the activities funded to promote knowledge and awareness of the FAIRTRADE Mark and the need for Fairtrade in the interests of disadvantaged producers.

Governance costs include costs attributable to the governance of the charity and include costs in order to ensure compliance with constitutional and statutory requirements and, in 2008 and 2007, the costs of undertaking a major strategic review.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Assets are included where the cost price exceeds £1,000 (2007: £250).

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

1.7 Stock

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

1.8 Pensions

All permanent staff employed by the Foundation are eligible for membership of the defined contribution occupational pension scheme operated by the Pensions Trust. The scheme is contributory (the Foundation pays up to 10% of salary depending on the level of the staff member's contribution). Alternatively, the Foundation contributes up to 10% of salary (depending on the level of the staff member's contribution) to approved pension schemes nominated by eligible staff. Pension contributions are charged to the SOFA in the period to which they relate.

1.9 Operating Leases

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

1.10 Value Added Tax

The charity is registered for VAT. In common with many other registered charities, the Fairtrade Foundation is unable to fully recover input VAT. During the accounting period, the total irrecoverable VAT suffered by the charity was £63,000 (2007: £45,000).

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

1.11 Taxation

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

2 Donations

	Unrestricted £ 000	Restricted £ 000	2008 Total £ 000	2007 Total £ 000
Triodos Bank Fairtrade Saver Account	29	-	29	34
Other donations	82	9	91	83
Total	111	9	120	117

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

3 Grants

	Unrestricted £ 000	Restricted £ 000	2008 Total £ 000	2007 Total £ 000
<i>Member Grants</i>				
Oxfam	25	-	25	25
CAFOD	15	-	15	15
Tearfund	5	-	5	5
Shared Interest Foundation	1	6	7	6
United Reformed Church	-	2	2	-
Christian Aid	10	-	10	-
Total Member Grants	56	8	64	51
<i>Other Grants</i>				
Impetus Trust	50	-	50	25
Charities Aid Foundation (co-investor with Impetus Trust)	25	-	25	25
The Rufford Maurice Laing Foundation	20	20	40	40
The SMB Trust	2	-	2	2
Tinsley Foundation	1	-	1	2
The John Ellerman Foundation	50	-	50	-
The Beatrice Laing Trust	-	-	-	2
Mrs FB Laurence Charitable Trust	-	-	-	1
The Rainford Trust	-	-	-	1
Department for International Development				
Trade Policy Unit	-	204	204	265
Development Awareness Fund	-	77	77	108
Waterloo Foundation	-	31	31	-
European Union	-	87	87	78
Methodist Relief & Development Fund	-	-	-	6
Oxfam GB	-	-	-	45
Four Acre Trust	-	-	-	18
Shell Foundation	-	-	-	5
OC&C Strategy Consultants	-	-	-	205
Rowan Charitable Trust	-	3	3	-
Comic Relief				
Special Initiative & Supplementary Grant	-	54	54	708
Fair Development Fund	-	99	99	-
Other small grants	1	10	11	15
Total Other Grants	149	585	734	1,551
Total Grants	205	593	798	1,602

4 Resources Expended

	Staff Costs £ 000	Other Direct Costs £ 000	Support Costs £ 000	2008 Total £ 000	2007 Total £ 000
Costs of generating funds	91	18	63	172	142
Charitable Activities					
Certification and licensing	325	429	250	1,004	645
Market and product development	700	237	481	1,418	1,118
Producer and product support	381	1,457	276	2,114	1,049
Public education and awareness	624	1,051	453	2,128	1,559
Total Charitable Activities	2,030	3,174	1,460	6,664	4,371
Governance costs	20	128	13	161	297
Total Resources Expended	2,141	3,320	1,536	6,997	4,810

Other direct costs include membership contributions of £829,000 paid to FLO International eV (2007: £591,000) and certification fees of £193,000 paid to FLO-CERT GmbH (2007: £116,000). Amounts paid to FLO International eV support its functions in setting the international framework and co-ordination of Fairtrade including the setting and development of Fairtrade standards, supporting producers and traders to match supply and demand, and supporting smallholders and workers participating in Fairtrade. FLO-CERT GmbH is an independent certification company offering Fairtrade certification services.

Support costs of £1.536 million (2007: £842,000) have been allocated across activities. Facilities costs have been allocated based on the cost per staff month in 2008 and all other costs have been apportioned based on the staffing costs of each activity in order to reflect the demands each activity makes on central support resources.

	Management £ 000	Human Resources £ 000	Finance £ 000	Information Technology £ 000	Administration £ 000	Facilities £ 000	2008 Total £ 000
Costs of generating funds	3	12	5	8	11	24	63
Charitable Activities							
Certification and licensing	11	42	17	29	39	112	250
Market and product development	23	91	36	63	85	183	481
Producer and product support	12	50	20	34	46	114	276
Public education and awareness	20	81	32	56	75	189	453
Total Charitable Activities	66	264	105	182	245	598	1,460
Governance costs	1	3	1	2	2	4	13
Total Resources Expended	70	279	111	192	258	626	1,536

5 Governance

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

	2008 £ 000	2007 £ 000
Direct Costs		
Strategic Review	88	241
Trustee expenses	14	15
Fees payable to Charity's auditors	13	7
Other governance costs	13	9
Staff costs	20	17
Total direct costs	148	289
Allocation of support costs	13	8
Total governance costs	161	297

During 2007 the Foundation undertook a major strategic review "Tipping the Balance" which was published in February 2008 and sets out the Foundation's vision and direction for the next five years. Of the costs related to the strategic review in 2007, £205,000 relates to a gift in kind of consultancy support provided by OC&C Strategy Consultants Ltd.

No remuneration was paid to Trustees in the year. Trustee expenses relate to travel expenses reimbursed for attendance at Board and sub committee meetings. £14,000 (2007: £15,000) was reimbursed to ten Trustees (2007: six Trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

6 Net Income / (Expenditure)

Net income / (expenditure) is stated after charging:

	2008 £ 000	2007 £ 000
Depreciation of fixed assets	98	47
Fees payable to Charity's auditors for the audit of the Charity's annual accounts	12	6
Fees payable to Charity's auditors for other services to the Charity	1	1
Operating lease rentals: land & buildings	440	172

Notes to the Financial Statements

7 Staff Costs

No employee earned more than £60,000 per annum in either year.

	2008	2007
	£ 000	£ 000
Wages and salaries	2,126	1,589
Employer's National Insurance costs	223	167
Employer's Pension contributions	107	110
Agency staff	18	5
Staff costs	2,474	1,871
Staff recruitment costs	73	64

Employer's pension contributions in 2007 included an accrual to backdate contributions to the beginning of that year if matched by employee contributions, which was subsequently not taken up by all staff who expressed an interest at the time. Therefore, even though Employer's Pensions contributions increased during 2008, a smaller amount was charged to the SOFA than in 2007.

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

	2008	2007
Directorate	4	3
Commercial Relations & Product Development	17	14
Certification	11	8
Communications	17	14
Policy and Producer Relations	10	9
Fundraising	2	2
Support and administration	9	6
Total	70	56

8 Tangible Fixed Assets

Office equipment, fixtures and fittings

	£ 000
Cost at 1 January 2008	201
Additions	265
Disposals	(6)
At 31 December 2008	460
Depreciation at 1 January 2008	115
Charge for period	98
Disposals	(5)
At 31 December 2008	208
Net book value at 1 January 2008	86
Net book value at 31 December 2008	252

9 Debtors

	2008	2007
	£ 000	£ 000
Licence fees *	3,022	1,841
Amounts due from FLO and other labelling initiatives	287	98
Other debtors	98	75
Prepayments and accrued income	521	389
Total debtors due within one year	3,928	2,403

* Licence fees are invoiced in arrears once the licensee's quarterly returns have been received and verified. Fees invoiced in 2008 and outstanding at the year-end totalled £636,000 (2007: £362,000) with the remaining £2,386,000 (2007: £1,479,000) of the debtor balance, representing a provision for fees relating to 2008 sales to be invoiced during 2009.

10 Creditors: Amounts falling due within one year

	2008	2007
	£ 000	£ 000
Trade creditors	342	206
Amounts due to FLO and other labelling initiatives	152	3
Social security and other taxes	271	256
Other creditors	255	23
Accruals	208	115
Total Creditors	1,228	603

11 Provision

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

Notes to the Financial Statements

12 Fund Movements

	Funds at 01 Jan 08 £ 000	Income £ 000	Expenditure £ 000	Transfers Between Funds £ 000	Funds at 31 Dec 08 £ 000
Restricted Funds					
Costs of generating funds					
Fairtrade Future	-	3	(3)	-	-
Certification and licensing					
Business Process Improvement	-	100	(100)	-	-
Other	1	-	(1)	-	-
Total	1	100	(101)	-	-
Market and product development					
Enlarging the Fairtrade Product Range	-	18	(18)	-	-
Producer and product support					
Fairtrade for Development in Africa	552	54	(471)	-	135
Enlarging the Fairtrade Product Range	1	147	(107)	2	43
Fairtrade Future	-	71	(71)	-	-
Producer Liaison and Support	3	20	-	-	23
Total	556	292	(649)	2	201
Public education and awareness					
Fairtrade for Development in Africa	59	-	(38)	-	21
Fairtrade Towns & Faith Groups	12	88	(104)	25	21
Fairtrade Schools	-	84	(111)	27	-
Fairtrade Fortnight	1	7	(8)	-	-
Other	10	6	(11)	-	5
Total	82	185	(272)	52	47
Governance costs					
Fairtrade Future	-	5	(5)	-	-
TOTAL RESTRICTED FUNDS	639	603	(1,048)	54	248
Unrestricted Funds					
Designated Funds					
Office Relocation and Expansion	183	-	(183)	-	-
Fixed Assets	86	265	(99)	-	252
Total	269	265	(282)	-	252
General Funds	2,674	6,354	(5,667)	(54)	3,307
TOTAL UNRESTRICTED FUNDS	2,943	6,619	(5,949)	(54)	3,559
TOTAL FUNDS	3,582	7,222	(6,997)	-	3,807

12.1 Description of Major Funds

Restricted Funds

Fairtrade Future

This grant from DFID of £750,000 ran for three years to March 2008. It comprised three elements of investment in the Fairtrade Foundation's future which are shown within the appropriate headings above, but comprise a single grant.

Business Process Improvement

Fairtrade has seen significant growth over the last three years which has placed extensive pressure on the Foundation's current systems and processes and the strategy for future expansion will create even more pressure. Funds from DFID were used for a review by Price Waterhouse Coopers (PwC) of the Licensing and Certification processes and Information Technology (IT) systems. The new system will support processes offering increased efficiency, better customer service and the ability to deal with the increasing numbers of applicants.

Enlarging the Fairtrade Product Range

This range of projects are designed to develop new Fairtrade products to extend the reach of Fairtrade labelling to new producers in the developing world, and to invest in further development of existing products. During 2008, grants from Comic Relief's Fair Development Fund were used to develop standards for Fairtrade pulses and out-of-season vegetables, and evaluate contract production methods. Substantial funding was also received from the Waterloo Foundation and DFID for the development of Fairtrade standards for gold. At the end of the Comic Relief-funded pulses project, £2,000 of unrestricted funds were used to finish the work. This is shown above as a transfer from unrestricted funds.

Fairtrade for Development in Africa

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

Producer Liaison and Support

The largest of these projects is funded by Rufford Maurice Laing Foundation to support flower farmers in Kenya.

Fairtrade Towns and Faith Groups Campaigns

These campaigns support the growing grass roots movement of individuals and local organisations striving to make their towns and churches Fairtrade by achieving local goals on awareness and availability of Fairtrade products. 75% of the Fairtrade Towns in Europe project is funded by the European Commission (with the remaining 25% met by £25,000 of unrestricted funds in 2008) while the Faith Groups campaign was part-funded by the Methodist Relief and Development Fund.

Fairtrade Schools

The Fairtrade Schools project aims to build awareness of Fairtrade and its associated development issues by implementing a national 'Fairtrade status' award scheme for schools. The scheme is conducted both regionally and UK-wide from primary to sixth form level and encourages a whole school approach to Fairtrade, involving all members of the school, visitors, the wider community and other local schemes. DFID is providing funding for 70% of the project; the remaining 30% is met by other donors and, in 2008, £27,000 of unrestricted funds.

Fairtrade Fortnight

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

Designated Funds

Office relocation and expansion fund

In late 2007 the Trustees authorised the commencement of a search for new office accommodation to provide suitable and sufficient space to cope with the continual growth of the organisation. The reserve was used to fund work in 2008 involved in the move of the Foundation's offices.

Fixed asset fund

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

13 Analysis of Fund Balances held on 31 December 2008

	Unrestricted £ 000	Designated £ 000	Restricted £ 000	Total £ 000
Tangible fixed assets	-	252	-	252
Current assets	4,543	-	260	4,803
Current liabilities	(1,216)	-	(12)	(1,228)
Provisions	(20)	-	-	(20)
Fund balances at 31 December	3,307	252	248	3,807

14 Notes to the Cashflow Statement

Reconciliation of net income / (expenditure) to operating cash flow		
	2008 £ 000	2007 £ 000
Net income	225	1,646
Interest receivable	(54)	(32)
Depreciation charge	98	47
Disposals	1	-
Decrease/(increase) in stocks	12	(2)
(Increase) in debtors	(1,525)	(828)
Increase in creditors	625	227
Increase in provisions	20	-
Net cash (outflow) / inflow from operating activities	(598)	1,058

Analysis of net funds			
	Balance at 01 Jan 2008 £	Cashflow movement £	Balance at 31 Dec 2008 £
Cash at bank and in hand	1,647	(809)	838
Net funds	1,647	(809)	838

15 Financial Commitments under Operating Leases

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

	2008 £ 000	2007 £ 000
Land & buildings – leases expiring:		
Within 1 year	-	50
In years 2 to 5	511	104
Total	511	154

16 Share Capital

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

17 Related Parties

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

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

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

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

Reference And Administrative Information

The Fairtrade Foundation

Reference and Administrative Information

Legal status

A company without share capital limited by guarantee registered number 2733136

Registered address

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

Registered charity number

1043886

Patron

George Alagiah

Directors/Trustees

Patricia Alexander ACA (Treasurer) ¹	Appointed 28 October 2008
Rosemary Byrde ^{1 2 4}	
David Clayton-Smith (Chair from 26 June 2008) ^{1 3 4}	
Mike Gidney ¹ (Chair to 26 June 2008)	Resigned 26 June 2008
Lynne Gregory ACA (Treasurer) ¹	Resigned 28 October 2008
Silver Kasoro Atwoki	
Janice Langley ²	Resigned 26 June 2008
Tomy Mathew	Appointed 28 October 2008
Simon Maxwell	Appointed 17 November 2008
Ed Mayo	
Merling Preza	
Melissa Duncan	Appointed 28 October 2008
Bert Schouwenburg	
Nabilai Suma ^{2 3 4}	
Joy Thompson ²	Appointed 28 October 2008

Independent Committee Members

Richard Gough ¹	Appointed 28 October 2008
Ann Davison ²	
Rob Hardy ²	

¹ Member of Executive Committee

² Member of Certification Committee

³ Member of Remuneration Committee

⁴ Member of Nominations Committee

Senior Management

Harriet Lamb CBE	(Executive Director)	
Ian Bretman	(Deputy Executive Director)	
David Lowbridge	(Managing Director)	Resigned December 2008
Barbara Crowther	(Director of Policy and Communications)	
Chris Davis	(Director of Producer Partnership)	
Martin Hill	(Director of Commercial Relations)	
Ron Hinsley	(Director of Certification Operations)	
Martin Tyler	(Director of Special Projects)	
Tim Gutteridge	(Director of Finance and Resources)	Appointed September 2008
Cheryl Sloan	(Director of Marketing)	Appointed April 2009

Company Secretary

Martin Tyler

Member Organisations

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

indicates founder member status

Bankers

CafCash Ltd
Kings Hill
West Malling
Kent
ME19 4TA

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

HSBC
31 Holborn Circus
London
EC1N 2HR

Triodos Bank NV
Brunel House
11 The Promenade
Bristol
BS8 3NN

Solicitors

Bates, Wells and Braithwaite
2-6 Cannon Street
London
EC4M 6YH

Auditors

Horwath Clark Whitehill LLP
St. Bride's House
10 Salisbury Square
London
EC4Y 8EH

