



FAIRTRADE
FOUNDATION

The Fairtrade Foundation

Annual Report and Financial Statements

for the year ended 31 December 2010

The Fairtrade Foundation

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The Fairtrade Foundation

Report of the Trustees (incorporating the Report of the Directors) For the year ended 31 December 2010

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 2010. The Reference and Administrative information on pages 30 and 31 form part of this Report.

Objectives and Activities

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

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

To relieve poverty in the world's least developed countries the Fairtrade Foundation licences the use of the FAIRTRADE Mark on products in the UK that meet international Fairtrade standards. The sales of such products relieves the poverty of producers in the developing world by ensuring that they receive at least a fair price for their goods and an additional social premium. This social premium is democratically allocated by producers to develop and support local community projects, such as schools or equipment, clean water, health care etc.

The Fairtrade Foundation promotes research and education around the causes and effects of poverty, particularly in relation to the conduct of trade. We do this by bringing together producers, businesses, communities and individuals in a powerful citizens' movement for change, to tackle poverty and injustice through trade. Some of the ways that we do this include researching and developing reports on the impact on producers in the developing world; promoting and inspiring the general public about Fairtrade; further deepening our collective awareness and understanding of the need and impact of Fairtrade; motivating campaigning volunteers across the UK to take up these issues on our behalf through development of local campaign groups in towns, cities, schools, universities and churches to name a few; and engaging with relevant influential decision makers on the issues.

The Fairtrade Foundation is a member organisation of, and works very closely with, Fairtrade Labelling Organisations International (FLO), based in Germany. This umbrella organisation 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 Fairtrade Foundation's FAIRTRADE Mark is the independent consumer guarantee of a better deal for producers in developing countries. The Foundation charges licence fees to companies marketing products that comply with the Fairtrade standards and carry the FAIRTRADE Mark. Licence fees cover the costs of monitoring and audit to ensure compliance with Fairtrade standards and contribute to the costs of public education and awareness raising work. Monitoring and auditing of UK licensees is largely undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLO-CERT.

Our Vision

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

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

Our mission

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

- being a passionate and ambitious development organisation committed to tackling poverty and injustice through trade;
- using certification and product labelling, through the FAIRTRADE Mark, as a tool for our development goals;
- bringing together producers and consumers in a citizens' movement for change; and
- being recognised as the UK's leading authority on Fairtrade.

Public Benefit

The Trustees confirm that they have complied with their duty in Section 4 of the Charities Act 2006 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales. The Trustees further confirm that the activities of the Fairtrade Foundation are carried out, in line with its objects, for the public benefit as described below.

Principal Achievements and Performance in 2010

In 2007 the Fairtrade Foundation undertook a major strategic review with significant input from all of 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. However in 2010 as the mid point in the five year strategy, an in depth review of progress was conducted on a pro-bono basis by strategy consultants, OC&C. This review highlighted that significant progress had been made in three of the five Tipping the Balance aims, but highlighted that more work was needed around aim one: ensuring that producer impact is identified

and better communicated; and aim five around scaling up the system. For 2010 the following progress can be reported.

- **Increasing Fairtrade's impact for producers**

The estimated retail sales value of FAIRTRADE marked products in 2010 reached £1.17 billion, up 40% on 2009, generating £18.6 million of Fairtrade premium payments to producers' communities.

We further broadened our reach with the addition of 64 new producer organisations selling to the UK Market, taking us to 560, involving 915,244 individuals. Including for the first time farmers from the former conflict zones of Afghanistan (raisins) and the Democratic Republic of the Congo (coffee).

Meanwhile we continued to deepen the impact for existing producer organisations already selling to the UK Market, with more than 50% of the market growth coming from existing groups, by enabling them to sell a greater proportion of their produce on Fairtrade terms. Small farmer organisations have continued to capture two thirds of the UK Fairtrade market, consistent with Tipping the Balance commitment to ensure access of small-scale producers to the UK market. Furthermore, individuals from Fairtrade certified producers supplying the UK from Least Income Countries number 356,945, making up 39% of the 915,244 individuals supplying UK market, consistent with our commitments to ensuring market access for disadvantaged groups from the very poorest countries.

Fairtrade raisins from Afghanistan launched in the UK during 2010 as part of the Fairtrade Foundation's ongoing work to help producers in conflict affected areas gain access to global markets. The raisins carry the FAIRTRADE Mark and have been produced by Tropical Wholefoods in partnership with international non-governmental organisation Mercy Corps and the Parwan Raisin Producer Co-operative (PRPC), who are based in the Shomali Plain in Parwan province, just outside Kabul. PRPC consists of five groups of around 300 farmers who own on average five jeribs of land with 2.13 jeribs of this being vineyard. A jerib is equivalent to just under half a hectare.

Haji Aenudin, 54, lives with an extended family of 18 including his son's family. He says selling his raisins in the UK and to other international markets will not only mean that he will be able to get a better price for his raisins but also that he will be able to send his children to school. *'By selling directly to exporters and not going via a trader, we will get more money for our raisins,' he explains. 'My great hope is that peace will return to Afghanistan and for a good life for my children, and their children.'*

Bean sprouts and baked beans are just the first few new Fairtrade products to arrive in the shops during 2010 as a result of the new Fairtrade standards for pulses. The beans behind these Fairtrade firsts have come from a group of farmers near Tong Liao City, Inner Mongolia - one of China's poorest rural regions. Far from the sea, and sitting at altitude, the winters here are long and cold and the summers fleeting and warm. These are the perfect conditions for the 39 farmers of Jurihe/Zhaluteqi Nature Village Farmer Association to grow soybeans and other pulses, including the white kidney beans that go into Geo Organics Fairtrade baked beans, and the mung beans which travel to the UK before being sprouted to make The Co-operative's fresh beansprouts. Together, the land farmed by the group adds up to more than 2,000 hectares, and their harvest weighs in at 3,000 tonnes a year.

Internationally, the Foundation has continued closely working with Fairtrade Africa to help increase capacity to develop and implement its own 5-year strategic plan. We supported Fairtrade Africa with workshops on climate change; media training and mentoring them to work effectively with the International Institute for Environment and Development (IIED). Additionally we created with Fairtrade Africa, CLAC (Latin American & Caribbean Network of Small Fair Trade Producers) and the Network of Asian Producers (NAP) a joint producer platform on climate change at the Cancun Summit in December 2010.

During 2010 the Comic Relief funding continued to enable Fairtrade Africa to become more established, enabling them to develop standards of priority to African farmers, and form partnerships that will increase the level of support available to their members. In addition, with our administrative support, Fairtrade Africa oversaw investment of more than £100k from the Technical Assistance Fund in direct support to capacity building projects submitted by some of its small farmer organisation members.

In June 2010 we also published an impact study covering citrus, grapes and raisins in South Africa, which pointed to positive impacts in improving working conditions and training opportunities for

workers, as well as better prices for smallholder raisin growers. Our understanding of our impact on producers' was further developed with the completion of banana and cotton sector studies, longitudinal studies in Belize (sugar) and Malawi (tea) and across a country (Malawi). In Malawi, on the Satemwa tea estate, Fairtrade premiums have provided 600 workers with solar panels, and have supported the establishment of what is reported to be Malawi's biggest adult education programme, involving 550 adults, of which 60% are women.

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

With levels of recognition of the FAIRTRADE Mark at 74% Fairtrade continues to lead the way as a first choice ethical certification label. Each year we monitor how consumers perceive the development of Fairtrade through market research with TNS in the UK and globally with Globescan. With levels of awareness at 74% and understanding at 65% in 2010, Fairtrade continues to grow these indicators to levels that long-established household names would be proud of. Perhaps more importantly, the level of trust that Fairtrade attracts from consumers is currently 85%.

Fairtrade's consumer communications are designed to bring alive the benefits that fairtrade brings to producers in developing countries. In 2010 we encouraged more consumers than ever to swap some of the products they buy to Fairtrade ones. Fairtrade Fortnight 2010 ran from 22 February to 7 March under the theme of "THE BIG SWAP". Once again, individuals and Fairtrade communities came together to create another record breaking Fortnight for Fairtrade. With a new emphasis on online tools, everyone involved exceeded our target of registering one-million-and-one Fairtrade swaps on our 'Swapometer'.

With a focus on the issues that Fairtrade is trying to address in the Tea industry, we launched a new briefing 'Stirring Up the Tea Trade', looking at the ongoing challenges and the progress made by Fairtrade tea producers. Fairtrade Foundation member organisations Traidcraft Exchange and the Women's Institute launched a campaign highlighting the issues facing tea producers and enabling consumers to encourage the top five tea brands in the UK to engage more with Fairtrade. Whilst Tea Dances organised by our grassroots movement encouraged everyone to 'swap their cuppa', and were just one of the many innovative campaigner ideas that contributed to over 11,000 events around the UK. The media team organised a PR stunt involving an invasion of London Bridge and Westminster by over 100 Fairtrade tea ladies dressed in aprons and pinnies, culminating in a visit to Sarah Brown at No10 and a choreographed Strictly Fairtrade Tea Lady Dance in Trafalgar Square. Hot drinks topped the list of swaps with tea being the top swap product with over 200,000 swaps made.

A large rise in the number of Fairtrade licensees running activities in Fairtrade Fortnight added to the mass of public awareness and culminated in the world's first 100% Fairtrade TV ad break on Channel Four. Fairtrade Fortnight was the top trending topic on Twitter for 2 days. Other Fortnight media coverage secured an advertising value equivalent of £8m, including national TV, press, radio, women's magazines, tabloids, online coverage (full coverage report available upon request). A massive 49% of consumers saw something about Fairtrade during Fairtrade Fortnight 2010.

The momentum and volume of Fairtrade Fortnight was added to throughout the year. Fairtrade were out and about and in conjunction with Fairtrade brands, were seen at The Ben & Jerry's Festival, London Fairtrade Festival and The Big Chill, where we partnered with Gastro-inventors Bompas and Parr to create a "Ziggurat of Flavour" – a 3-storey high pyramid shaped Fairtrade fruit cloud. The jury is still out on whether festival-goers were able to contribute to their 5-a-day just by breathing in the cloud, but it prompted a new way of thinking about how we consume food and of course looking at where it comes from. Our staff were on hand to explain the range of fruits available, and more than 6,000 visitors passed through the Ziggurat. We achieved significant national press coverage and reached an estimated 750,000 readers and twenty million radio listeners.

The Football World Cup in South Africa was used to highlight the benefits that Fairtrade brings to wine producers in Africa, with a campaign entitled "Sip for South Africa" – we asked consumers to swap their normal tittle for a Fairtrade one in pubs and bars across the UK.

Laura Bailey, Lisa Butcher and Mica Paris all signed up as ambassadors for Fairtrade to spearhead our activity to mark the 5th anniversary of Fairtrade cotton in November 2010. This 'fashion world supports Fairtrade cotton initiative' will also include a new fashion photography exhibition by Trevor Leighton. Whilst school kids demanded Fairtrade cotton uniforms through a campaign, in partnership with People and Planet, to increase the availability of affordable school uniforms made from Fairtrade

cotton. BBC's Blood, Sweat and T-shirts star Stacey Dooley spearheaded a demonstration outside Asda whilst Tesco has promised to double the range of Fairtrade cotton items.

The level of grass root support is demonstrated by the ever increasing number of Fairtrade Towns: reaching 501 in the UK at the end of December 2010. Development of grass roots support also continued to grow in schools, universities, churches and other faith groups. At the end of December 2010 there were 497 Fairtrade Schools (with a further 4367 working towards achieving Fairtrade status); 132 Fairtrade Universities and Colleges; 6414 Fairtrade Churches; 80 Fairtrade dioceses, 41 Fairtrade synagogues, 1 Fairtrade Mosque, 1 Fairtrade Temple and 1 Fairtrade Bahai.

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

Commitments made in 2009 continue to drive retail sales significantly higher in 2010, largely due to the full year impact of switches that were either commenced or announced in late 2009. Both Starbucks and Cadbury's continued to switch existing products to Fairtrade, with Starbucks launching a Fairtrade chilled coffee drink and Cadbury's converting their leading children's brand, Buttons, during 2010. The latter provides a better deal for over 40,000 cocoa farmers in Ghana, as well as opening the door for thousands more cocoa growers in Ghana to work towards Fairtrade certification.

The year began with the launch of Fairtrade four finger Kit Kats in January 2010, although some product had already hit the shop shelves in the last days of December 2009. The recent escalation of conflict in Côte d'Ivoire, a primary source of the cocoa used in Kit Kat, has meant that these Fairtrade farmers have lived through very difficult times and are now faced with the huge challenge of recovering from the devastation. Fairtrade is taking measures to support farmers and their organisations during this time such as assessing post conflict impact and working with Fairtrade partners to offer additional on-the-ground support services with reconstruction.

The Foundation funded a consultant to work with Fairtrade leaders/companies and Foundation staff to develop a support strategy for Fairtrade organisations to guide the work during 2011. The addition of various new promotional events during the Summer of Fairtrade and Fairtrade Fortnight 2011 are a result of some of that activity.

Cosmetics is still a relatively new Fairtrade category. Since first launching the cosmetics category in 2009, we have engaged with many exciting brands and seen real innovation in 2010. Natural ingredients such as coconut oil, cotton seed extract and almond oil as well as exfoliates are all now available as Fairtrade certified products. In fact by the end of 2010 a range of licensees, both large and small, had launched 150 Fairtrade cosmetic lines. These included: - Absolute Skincare who have developed a range of Spa products; Green People who are offering three organic baby products; Ethos with three products for their Gruffalo children's range; Organic Monkey with four products for mother and baby; Swirl Products who are introducing 11 products for their Fair Naturally range; and Boots whose 'Extracts' range was one of the first complete ranges of beauty care products to be certified as containing Fairtrade ingredients.

Significant investment of time and resources was made engaging with both existing and new businesses, and further commitments were made by many of our licensees which resulted in a number of significant switches progressing in 2010. Ben & Jerry's announced a commitment to make every ingredient they use, from sugar to nuts to cocoa, Fairtrade that can be Fairtrade in the UK by the end of 2011 and Green & Black's conversion of their entire range of chocolate bars and beverages in the UK to 100% Fairtrade, by the end of this 2011.

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

With 2 billion people worldwide still earning less than \$2 a day, the Foundation continued its work with companies and with the public to drive increased sales. Despite an increasingly difficult economic climate, sales of Fairtrade products soared by 40% in 2010 to an estimated retail value of £1.17bn compared with £836m in 2009. UK shoppers are continuing to embrace Fairtrade, showing no downturn on ethical values despite the tough economic times.

Figures reveal that every day in the UK, we are now consuming some 9.3 million cups of Fairtrade tea, 6.4 million cups of Fairtrade coffee, 2.3 million chocolate bars, 530,000 cups of Fairtrade drinking chocolate and 3.1 million Fairtrade bananas. New categories are also growing with over 1million cosmetic products using Fairtrade ingredients also being sold in 2010.

Sales of Fairtrade chocolate confectionery have more than quadrupled in 2010 to an estimated retail value of £346 million, making chocolate the leading Fairtrade product by value in the UK. Sales of Fairtrade drinking chocolate have nearly trebled to an estimated retail value of £34 million.

Although overtaken by chocolate products in 2010, Fairtrade bananas continue to be a leading Fairtrade product in the UK with almost 1 in 3 of all bananas eaten in the UK now Fairtrade certified. However banana volumes actually fell by 3% in 2010, some of which can be explained by supply disruption caused by the hurricanes. However this small decline was also reported through Nielsen market data which showed that non-Fairtrade banana sales fell slightly more than Fairtrade bananas.

Sales of long-standing Fairtrade categories like coffee and tea are still increasing, especially in the catering sector – the volume of coffee sales has increased 16% to just over 14,000 tonnes, equivalent to an estimated 6.4 million cups of Fairtrade coffee drunk every day. Sales of Fairtrade tea have increased 5% by volume in the last year, equivalent to 9.3 million cups of tea drunk every day.

Against a picture of overall growth, however, some product categories have struggled in the midst of recession. In particular, Fairtrade cotton sales have declined in the past year, as ethical ranges struggle to compete with a continuing trend for cheap, fast fashion. Fairtrade cotton fell back to just under 12 million units (eg. garments, kitchen and bedroom linen, cotton wool) in 2010 from 18 million units in 2009. Sales of other recession prone categories such as fresh fruit (excluding bananas) and flowers declined 42% and 10% respectively. The recession has affected fresh fruits as exotic fruits product ranges were sometimes reduced as being expensive lines to stock in the economic climate. The fall is mostly attributable to impact of recession, although slowing from the 19% fall we saw from 2008 to 2009.

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

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

In 2010 the Foundation continued to provide additional financial support to FLO to support its development and commence the implementation of its strategic plan. Significantly the Foundation has continued to make its Director of Strategy and Innovation available to FLO to support the implementation of the new international strategy. He was re-elected to the Board of FLO in 2009 for a second three-year term and re-appointed by the Board to serve as Executive Vice-Chair. In this role, he leads on strengthening governance and accountability of the system and on external relationships with other parts of the Fairtrade movement.

The Foundation continued to work ever more closely with other Fairtrade labelling initiatives around the world. Through active participation in global Fairtrade issues, we developed relationships and links across the Fairtrade family, finding synergies which could be utilised for building the effectiveness of the global Fairtrade system. It's important that existing markets achieve their full potential and as one of the most successful markets for Fairtrade, the UK experience in commercial relations, public communications and grass-roots support projects such as Fairtrade Towns, is often referenced by our partners. The opening up of new markets for Fairtrade is part of our objectives of providing additional opportunities for producers, and so the Foundation has provided advice and support to Fairtrade South Africa since its formation. We have also provided both advice and financial support to Fairtrade Japan to assist them as they scale up Fairtrade sales in Japan.

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

The Foundation must also ensure that its own internal systems remain robust enough to support our intended future growth. During 2010 the Certification Team carried out a considerable amount of work in simplifying procedures, standards and reporting requirements for Licensees. In February 2010 a

major new IT system was released to facilitate licensing arrangements. "LASer", the Licence Application Service is an on-line solution for Licensees to apply for and manage their Licence applications. Aimed at providing licensees an efficient and transparent interface with the Foundation's Certification Department, it also provides the Foundation with a consistent, streamlined and efficient business processing system. The key benefits reaped in 2010 were provision of improved management information for the Foundation, which facilitated a complete revision of income forecasting and collection processes. Work continued in 2010 highlighting and developing further improvements to ensure benefits are found for a wider range of stakeholders.

The rapid growth over previous years has again placed tremendous demands on the staff and the Trustees pay careful attention to this. An annual staff survey is one of the methods used to monitor staff satisfaction and effectiveness and the results for 2010 were disappointing and showed little progress made on the challenges identified during 2009. Despite the fall in satisfaction in responses to many questions still two thirds of staff confirmed that they 'enjoy working at the Foundation'. Steps have been put in place to ensure that the four key areas previously identified for improvement in 2009 and 2010 are implemented. To that end the senior management requirements within the HR team have been redefined and a HR Director will be joining the Foundation in June 2011.

The Foundation also sought to strengthen its governance, bringing in two new Trustees in 2010: Deborah Doane from the World Development Movement and David McCullough from OXFAM. The Foundation would like to say a special thank you to Nabilai Suma and Ed Mayo, whose terms on the Board came to an end in 2010, for all their leadership, encouragement, guidance and support during their time as Trustees.

Plans for 2011 and Beyond

Although the Foundation has planned 2011 as a year of consolidation and focus, to ensure that recent growth and scaling up is properly embedded, we will continue to strive to achieve our goals through the five strategic objectives as follows:

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

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

We will continue to develop plans for the products and target countries we work with so that the most disadvantaged, especially smallholders in the world's poorest countries, reap most benefits. Proactively targeting the most marginalised producers remains a challenge, so in 2011 a concerted focus on coordinating and delivering a multi-disciplinary approach involving producer support, standards, certification and market development teams from across the Fairtrade movement will be implemented to improve our reach to the most marginalised groups.

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

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

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

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

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

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

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

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

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

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

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

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

Financial Overview of 2010

Incoming resources for the year increased by 25% to £10.9 million. The principal component of income, the licence fees paid by companies carrying the FAIRTRADE Mark on their products, grew by 28% to £8.4 million. This reflects the full year impact of the major switches to Fairtrade announced in late 2009 by Cadbury's, Starbucks and Nestle and continued growth of many existing licensees.

Grant income increased by 18% from £1.9 million to £2.2 million. The majority of this increase is due to the commencement of a new grant from the Department for International Development (DFID), a Programme Partnership Arrangement (PPA), which began in April 2010. This four year PPA was awarded to both the Foundation and to FLO eV. Funds to the Fairtrade Foundation will help build more in depth support for Fairtrade and international development with the UK public. The continuing Comic Relief Special Initiative grant for the 'Fairtrade for Development in Africa' project remains the largest grant received by the Foundation and supports innovations in communicating about Fairtrade to the UK public. Whilst the funding is initially received by the Foundation, a significant amount of the funding is subsequently passed on to FLO eV, to Fairtrade Africa and to Fairtrade Label South Africa.

The funding relationship with Impetus Trust and co-investors Charities Aid Foundation continued in 2010 with core funding to assist the Foundation in the implementation of its strategic plan.

Further valuable support was secured from the Waterloo Foundation as part of a two-year commitment to developing Fairtrade and Fairmined standards for artisanal gold in Latin America; from the Allan and Nesta Ferguson Charitable Trust to support the UK component of the Comic Relief Special Initiative grant; and from TR Aid (Textile Recycling Aid for International Development), to fund a pilot project looking at the opportunities for a Fairtrade model for textiles based on the empowerment and development of workers in Fairtrade supply chains.

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, Shared Interest Foundation, United Reformed Church and Triodos Bank.

Donations increased by 28% in 2010. The increase is largely due to £0.17 million of pro bono consultancy work provided to the Foundation by OC&C Strategy Consultants in the year. The Foundation is extremely grateful for the financial support provided by individual and group donations in support of its work.

Resources expended increased by 19% from £9.6 million in 2009 to £11.4 million in 2010. The additional resources have been carefully aligned with the strategic direction of the charity. However the most significant increases in funding were allocated to Public Education and Awareness, up £907k on 2009 and Certification and Licensing up £336K. This is in line with the focus of the support provided by DFID within the UK; and the strategic objective to scale up the Foundation's systems and processes to ensure that they remain robust enough to deal with potential future growth. Governance costs increased by 87% on 2009 because 2010 expenditure includes the value of the pro bono consultancy work carried out by OC&C to conduct a review of progress on the five year strategy "Tipping the Balance".

Improved management information systems developed in 2010 highlighted potential income shortfalls within previous forecasts, which lead to a complete revision of the 2010 income and expenditure forecasts mid way through the year. Managing cash balances during this re-forecasting and for the remainder of the year was a challenge and we would like to thank CAF Venturesome and Shared Interest for the cash management support they provided during this time.

Overall there were net outgoing resources of £0.4 million which led to a decrease in total funds from £2.9 million to £2.5 million. The net decrease on general funds of £0.5 million is lower than Trustees budgeted, which resulted in the general fund reserves at the year-end of £1.2million being slightly higher than envisaged but lower than the reserves target of £2.3 million. The surplus budget set by the Trustees for 2011 aims to make both a contribution to reserves and continue to invest in the resources needed to deliver the ambitious plans set out in "Tipping the Balance". The Trustees aim to achieve the target reserves level over the next three years.

The management and Trustees have conducted a thorough review of the financial trends and assumptions used in forecasting financial performance for at least the next 12 months and consider that the charity remains a Going Concern.

Investment Policy and Performance

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

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

Risk Management

The Trustees undertake a regular review of risks facing the Fairtrade Foundation and it is an integral part of the operational management undertaken by the senior management team. The Trustees believe that through this process a wide range of risks faced by the charity have been identified, quantified and, where appropriate, action taken on a continuing basis to manage those risks. Top risks identified include potential problems with the supply of Fairtrade commodities, other certification Marks, and failure of internal systems.

The Trustees note that 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.

Reserves Policy

The Trustees review the reserves policy each year as a part of the overall risk management of the Foundation. The target level of General Funds is reviewed at regular intervals as part of the annual planning cycle. Two calculation methods are used to determine the target reserves levels for the following year.

Firstly significant risks where there would be financial implications should that risk occur are identified. Trustees consider the potential financial impact together with the likelihood of that event occurring to enable a mid-point target level for these risks to be calculated. In December 2010 the financial implications of these risks ranged between £1.24 million and £2.17 million giving a mid-point target level of £1.70 million.

Secondly a reserves target of at least three months running costs is calculated. This enables the Foundation to ensure efficient use of its resources and cover any potential liabilities in the event of an unforeseen change to circumstances. In December 2010 this target was calculated to be £2.30 million for 2011.

The target level for general funds is to achieve and maintain the higher of the two target levels, i.e. financial risk implications (currently £1.70 million) or 3 months running costs (currently £2.30 million), therefore £2.30 million.

However Fairtrade has achieved significant growth over the past few years and this has significantly increased these targets to levels exceeding the actual General Funds of £1.213 million at the end of December 2010. The Trustees are also aware that to maintain and build on these recent successes the Foundation must continue to develop its systems and business processes to support the future growth of Fairtrade products in the UK. The Trustees realise that achieving and maintaining the higher target levels will not always be achievable during this time. Therefore in December 2010 the Trustees set a surplus unrestricted budget for 2011 and beyond, which will increase the General Reserves towards the agreed target levels over the next three years.

The Trustees will continue to review the level of reserves so that the Foundation maintains the appropriate level of financial security required for the challenges of the years ahead.

Structure, Governance and Management

The Organisation of the Charity

The Foundation is a company limited by guarantee and a charity registered in England and Wales. It is governed by its Memorandum and Articles of Association as adopted on 2 July 1992 and subsequently amended on 25 January 1994, 20 May 2003, 15 July 2006 and 30 June 2007. The organisation was initially founded in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft Exchange, and the World Development Movement, with the National Federation of Women's Institutes joining shortly afterwards – these organisations are known collectively as the Founder Members. In 2003 membership was opened up to enable other organisations to participate in the governance of the Foundation and to share their expertise and experience with us. Organisations applying for membership are expected to have either a strong development or consumer focus, and to contribute to the promotion of Fairtrade, for example amongst their own supporters. Since 2003 a total of nine organisations have joined as members. A full list of member organisations is given on page 31.

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 six years 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.

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 existing Trustees possess, induction days are held to enable them to meet members of staff and to hear more about operational plans and priorities of the Foundation. In addition, Trustees are invited to a wide range of events, for example the launch of Fairtrade Fortnight and other promotional events, licensee meetings, and other stakeholder events, so that they have a wide exposure to the various stakeholders in the Foundation. Should the appropriate opportunity arise Trustees may sometimes visit producer groups to see at first hand the impact of Fairtrade.

Trustee Meetings and Board Sub Committees

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

- Setting and maintaining the Foundation's vision, mission and values and in particular agreeing and approving the strategic plan.
- Ensuring strong links with the member organisations and the Fairtrade movement.
- Contributing creatively to the development of the Foundation, including fostering relationships with major licensees.
- Developing the Foundation's policies on trade justice and other means of poverty reduction related to the Foundation's core activity.
- Agreeing and monitoring major policies and programmes (e.g. annual plans and budgets).

- Supporting and appraising the Executive Director, and approving staffing and remuneration policies.
- Reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes, that it is managing any risks correctly and taking any remedial action needed.

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

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

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

The Certification Committee comprises six members – two members are appointed by the Board (of whom at least one must be a Trustee), two external experts from relevant fields of experience and two members of staff not involved with day-to-day certification work. The Committee meets six times a year to:

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

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

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

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

Operational Management

A scheme of delegation is in place which devolves day-to-day operational management of the Foundation to the Executive Director who is supported by a senior management team consisting of a Deputy Executive Director, Director of Finance and Resources, Director of Strategy & Innovation, Director of Commercial Relations, Director of Policy & Communications, Director of Marketing, Director of Producer Partnerships, and Director of Certification Operations.

During 2010 Martin Hill, Director of Commercial Relations, joined Fairtrade Labelling Organisations International (FLO) to initiate and develop a Global Account Management function for the Fairtrade movement. Additionally Ron Hinsley, Director of Certification Operations retired in late 2010 and Cheryl Sloan, Director of Marketing commenced Maternity leave at the start of 2011. These three roles have been successfully filled by Ashish Deo, Director of Commercial Relations, David Meller, Director of Certification and John Tashiro, Interim Director of Marketing. All three bring significant commercial experience and skills within their respective areas of expertise into the Foundation.

The Foundation has continued to make its Director of Strategy & Innovation, Ian Bretman, available to FLO for around 90% of his time to support the implementation of the new international strategy. He

was re-elected to the Board of FLO in 2009 for a second three-year term and re-appointed by the Board to serve as Executive Vice-Chair. In this role, he leads on strengthening governance and accountability of the system and on external relationships with other parts of the fair trade movement.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its net incoming/outgoing resources for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each Trustee is aware, there is no relevant audit information of which the company's auditors are unaware, and each Trustee has taken all the steps that he or she ought to have taken as a company director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

It is anticipated that a resolution to re-appoint Crowe Clark Whitehill LLP as auditor will be proposed at the forthcoming Annual General Meeting.

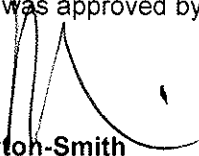
Acknowledgements

Fairtrade is one of the most successful social change stories of recent times. This success is due to the commitment and dedication of all the stakeholders in the Foundation's work – the producers, the consumers, the licensees and retail partners, the grass roots campaigners and supporters and its staff and volunteers. We particularly thank our celebrities and other volunteers 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 110 volunteers helped in the Fairtrade office at some time during the year and provided an estimated 2,150 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 28 June 2011 and signed on their behalf by



David Clayton-Smith
Chair of the Board
The Fairtrade Foundation
28 June 2011

Independent Auditor's Report to the Members of The Fairtrade Foundation

We have audited the financial statements of The Fairtrade Foundation for the year ended 31 December 2010 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

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

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

Scope of the audit of the financial statements

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

We read all the information in the Report of the Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

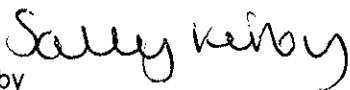
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit


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

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

15 July 2011

The Fairtrade Foundation

Statement of Financial Activities for the year to 31 December 2010 (including the Income and Expenditure Account)

		2010		2009	
	Notes	Unrestricted £ 000	Restricted £ 000	Total £ 000	Total £ 000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Donations	2	242	8	250	195
Grants	3	682	1,518	2,200	1,866
Investment income		4	-	4	8
<i>Incoming resources from charitable activities</i>					
Licence fees		8,422	-	8,422	6,591
Sale of awareness-raising items		57	-	57	65
Total incoming resources		9,407	1,526	10,933	8,725
Resources expended					
Costs of generating funds	4	283	-	283	206
Charitable Activities					
Certification and licensing		1,844	-	1,844	1,508
Market and product development		2,102	-	2,102	1,866
Producer and product support		1,878	1,309	3,187	3,145
Public education and awareness		3,378	205	3,583	2,676
Total charitable activities		9,202	1,514	10,716	9,195
Governance costs	5	387	-	387	207
Total resources expended		9,872	1,514	11,386	9,608
Net income / (expenditure), being net movement in funds	6	(465)	12	(453)	(883)
Fund balances brought forward		2,434	490	2,924	3,807
Fund balances carried forward	12	1,969	502	2,471	2,924

There were no recognised gains or losses for 2010 or 2009 other than those included in the Statement of Financial Activities. All activities are continuing. The Notes on pages 19 to 29 form part of these Financial Statements.

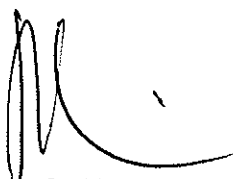
The Fairtrade Foundation

Balance Sheet as at 31 December 2010

Registered Company Number: 2733136

	Notes	2010 £ 000	2009 £ 000
Fixed assets			
Tangible assets	8	756	720
Current assets			
Stock		54	38
Debtors	9	4,131	3,714
Cash at bank and in hand		686	1,176
Total current assets		4,871	4,928
Liabilities			
Creditors: Amounts falling due within one year	10	(3,002)	(2,535)
Net current assets		1,869	2,393
Total assets less current liabilities			
		2,625	3,113
Creditors: Amounts falling due after one year	10	(78)	(129)
Provision for liabilities and charges	11	(76)	(60)
Net assets	13	2,471	2,924
Funds			
	12		
Unrestricted funds			
General funds		1,213	1,714
Designated funds		756	720
Total unrestricted funds		1,969	2,434
Restricted funds		502	490
Total funds	13	2,471	2,924

The financial statements were approved and authorised for issue by the Board of Trustees on 28 June 2011 and were signed below on its behalf by



David Clayton-Smith
Chair of the Board
28 June 2011

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

The Fairtrade Foundation
Cashflow Statement
for the year to 31 December 2010

	Notes	2010 £ 000	2009 £ 000
Net cash (outflow) / inflow from operating activities	14	(697)	898
Returns on investments and servicing of finance			
Interest receivable		4	8
Interest payable		(26)	-
		(22)	8
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(273)	(568)
Financing			
Increase in short term borrowings		502	-
(Decrease) / increase in cash in the year	14	(490)	338

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

The Fairtrade Foundation

Notes to the Financial Statements

for the year to 31 December 2010

1 Accounting Policies

1.1 Basis of preparation of accounts

The financial statements have been prepared in accordance with the Companies Act 2006, Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), applicable United Kingdom accounting standards, and under the historic cost convention.

The financial statements are prepared on the going concern basis as the Trustees consider that the charity will continue in operational existence for at least 12 months from the date of approval of the financial statements. Further information is given in the Report on page 10.

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 objectives. The aim and use of each material restricted fund is set out in Note 12.

Unrestricted funds include 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 objectives of the charity.

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.

1.4 Incoming resources

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

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

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

1.5 Resources expended

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

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

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

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

Governance costs include costs attributable to the governance of the charity and those relating to compliance with constitutional and statutory requirements. The costs associated with the additional support provided to FLO towards developing and improving governance across the Fairtrade movement is also included in this category of expenditure.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Assets are included where the cost exceeds £1,000.

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

1.7 Stock

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

1.8 Pensions

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

1.9 Operating Leases

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

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 (2009: £44,000).

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

1.11 Taxation

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

1.12 Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken to the Statement of Financial Activities.

Notes to the Financial Statements

2 Donations

	Unrestricted £ 000	Restricted £ 000	2010 Total £ 000	2009 Total £ 000
Strategic Review	170	-	170	-
Triodos Bank Fairtrade Saver Account	7	-	7	9
Other donations	65	8	73	186
Total	242	8	250	195

In 2010 OC&C Strategy Consultants Ltd carried out consultancy work valued at £170,000 conducting an in depth review of progress on the five year strategy "Tipping the Balance".

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	2010 Total £ 000	2009 Total £ 000
<i>Member Grants</i>				
Shared Interest Foundation	-	5	5	6
United Reformed Church	-	2	2	2
Oxfam	-	-	-	5
Total Member Grants	-	7	7	13
<i>Other Grants</i>				
<i>Comic Relief</i>				
Special Initiative & Supplementary Grant	-	1,219	1,219	1,404
Sainsbury's Fair Development Fund	-	3	3	28
<i>Department for International Development</i>				
Programme Partnership Agreement (PPA)	562	-	562	-
Trade Policy Unit	-	22	22	165
Development Awareness Fund	-	-	-	39
Impetus Trust	115	-	115	85
The Allan & Nesta Ferguson Charitable Trust	-	113	113	-
TRAID	-	47	47	-
KPMG LLP	-	46	46	-
The Waterloo Foundation	-	25	25	-
Reading International Solidarity Centre (RISC)	-	6	6	-
The Co-operative Group (CWS) Limited	-	5	5	-
The Bay Tree Charitable Trust	-	4	4	-
The Rowan Trust	-	4	4	-
The Marr-Munning Charitable Trust	-	4	4	-
The Sheepdrove Trust	-	3	3	-
Burdens Charitable Foundation	-	2	2	-
The TUUT Charitable Trust	-	2	2	-
The Henry & Rebecca Tinsley Foundation	2	-	2	3
W F Southall Trust	-	2	2	-
The John Ellerman Foundation	-	-	-	50
Charities Aid Foundation (co-investor with Impetus Trust)	-	-	-	25
European Union	-	-	-	23
The Ernest Cook Trust	-	-	-	9
Today Translation & Business Services Ltd	-	-	-	3
Other small grants	3	4	7	19
Total Other Grants	682	1,511	2,193	1,853
Total Grants	682	1,518	2,200	1,866

4 Resources Expended

	Direct Staff Costs £ 000	Other Direct Costs £ 000	Support Costs £ 000	2010 Total £ 000	2009 Total £ 000
Costs of generating funds	143	59	81	283	206
Charitable Activities					
Certification and licensing	616	878	350	1,844	1,508
Market and product development	961	609	532	2,102	1,866
Producer and product support	586	2,281	320	3,187	3,145
Public education and awareness	1,054	1,939	590	3,583	2,676
Total Charitable Activities	3,217	5,707	1,792	10,716	9,195
Governance costs	109	226	52	387	207
Total Resources Expended 2010	3,469	5,992	1,925	11,386	9,608
Total Resources Expended 2009	2,844	4,961	1,803	9,608	

Other direct costs include membership contributions of £1.358 million paid to FLO International eV (2009: £1.116 million) and certification fees of £291,000 paid to FLO-CERT GmbH (2009: £228,000). 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 £1.925 million (2009: £1.803 million) have been allocated across activities. Facilities costs have been allocated based on the number of staff engaged in each activity and all other costs have been apportioned based on the staffing costs of each activity in order to reflect the demands each activity makes on central support resources.

	Management £ 000	Human Resources £ 000	Finance £ 000	Information Technology £ 000	Administration £ 000	Facilities £ 000	2010 Total £ 000	2009 Total £ 000
Costs of generating funds	6	16	10	12	8	29	81	66
Charitable Activities								
Certification and licensing	24	70	44	52	38	122	350	352
Market and product development	38	110	69	82	56	177	532	538
Producer and product support	23	67	42	50	34	104	320	330
Public education and awareness	42	120	75	90	62	201	590	466
Total Charitable Activities	127	367	230	274	190	604	1,792	1,686
Governance costs	4	13	8	9	6	12	52	51
Total Resources Expended 2010	137	396	248	295	204	645	1,925	1,803
Total Resources Expended 2009	107	377	157	303	178	681	1,803	

Notes to the Financial Statements

5 Governance Costs

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

	2010 £ 000	2009 £ 000
Direct Costs		
Strategic Review	170	-
Trustee expenses	17	23
Fees payable to Charity's auditors	24	21
Other governance costs	15	14
Staff costs	109	98
Total direct costs	335	156
Allocation of support costs	52	51
Total governance costs	387	207

As 2010 was the mid point of the five year strategy "Tipping the Balance", an in depth review of progress was conducted. Strategic Review costs above are a gift in kind of consultancy support provided by OC&C Strategy Consultants Ltd.

No remuneration was paid to Trustees in the year (2009: Nil). Trustee expenses relate to travel expenses reimbursed for attendance at Board and sub committee meetings. £17,000 (2009: £23,000) was reimbursed to ten Trustees (2009: ten Trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

6 Net Income / (Expenditure)

Net income / (expenditure) is stated after charging:

	2010 £ 000	2009 £ 000
Depreciation of fixed assets	237	100
Fees payable to Charity's auditors for the audit of the Charity's annual accounts for the current year	17	21
Fees payable to Charity's auditors for the audit of the Charity's annual accounts for the prior year	7	-
Fees payable to Charity's auditors for other services to the Charity	1	2
Operating lease rentals and service charge: land & buildings	601	612

7 Staff Costs

	2010	2009
	£ 000	£ 000
Wages and salaries	3,473	2,840
Employer's National Insurance costs	366	300
Employer's Pension contributions	191	154
Agency staff	200	41
Staff costs	4,230	3,335
Staff recruitment costs	86	57

	2010	2009
Number of employees whose emoluments fell within the band:		
£60,000 - £69,999	2	1
Employer's Pension contributions (defined contribution scheme)	£15,034	£6,304

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

	2010	2009
Executive Directorate	4	4
Commercial Relations & Product Development	21	19
Certification	8	8
Communications & Policy	16	12
Marketing	21	15
Producer Partnerships & Product Strategy Management	14	13
Fundraising	4	3
Support and administration	14	12
Total	102	86

8 Tangible Fixed Assets

	Office Equipment £ 000	Fixtures and Fittings £ 000	Software £ 000	TOTAL £ 000
Cost at 1 January 2010	190	235	603	1,028
Additions	15	-	258	273
At 31 December 2010	205	235	861	1,301
Depreciation at 1 January 2010	141	96	71	308
Charge for period	29	46	162	237
At 31 December 2010	170	142	233	545
Net book value at 1 January 2010	49	139	532	720
Net book value at 31 December 2010	35	93	628	756

Notes to the Financial Statements

9 Debtors

	2010 £ 000	2009 £ 000
Licence fees *	3,490	2,952
Amounts due from FLO and other labelling initiatives	224	354
Other debtors	71	66
Prepayments and accrued income	346	342
Total debtors due within one year	4,131	3,714

* Licence fees are invoiced in arrears after the licensee's quarterly returns have been received and verified. Fees invoiced in 2010 and outstanding at the year-end totalled £1,080,000 (2009: £533,000) with the remaining £2,410,000 (2009: £2,419,000) of the debtor balance, representing a provision for fees relating to 2010 sales to be invoiced during 2011.

10 Creditors

Creditors: Amounts falling due within one year	2010 £ 000	2009 £ 000
Trade creditors	1,098	1,412
Amounts due to FLO and other labelling initiatives	792	480
Shared Interest Loan and interest payable*	502	-
Social security and other taxes	392	217
Other creditors	45	38
Accruals	172	388
Total	3,002	2,535

Creditors: Amounts falling due after one year	2010 £ 000	2009 £ 000
Accruals	78	129
Total	78	129

* During the year a credit facility was opened with Shared Interest Society Ltd. The facility allows the Foundation to borrow up to £500k for 5 months and is subject to a 1% arrangement fee and bears interest at the "prime rate", currently 7%. Initially opened for the 12 months to 31 March 2011, the facility has now been extended for a further 12 months. Interest payable during the year was £19,000 (2009: nil). At the year end, the balance outstanding on the credit facility was £499k plus £3k of interest payable for December 2010.

11 Provision for Liabilities and Charges

	Provision b/fwd £ 000	Charged to SOFA £ 000	Provision released £ 000	Provision c/fwd £ 000
Dilapidations	60	16	-	76
Total Provision	60	16	-	76

12 Fund Movements

	Funds at 01 Jan 10 £ 000	Income £ 000	Expenditure £ 000	Transfers Between Funds £ 000	Funds at 31 Dec 10 £ 000
Restricted Funds					
Producer and product support					
Fairtrade for Development in Africa	366	1,141	(1,188)	-	319
Enlarging the Fairtrade Product Range	29	67	(89)	-	7
KPMG's BRIGHT Programme	-	45	-	-	45
Fairtrade model for textiles pilot	-	47	-	-	47
Producer Liaison and Support	27	5	(32)	-	-
Total	422	1,305	(1,309)	-	418
Public education and awareness					
Fairtrade for Development in Africa	58	190	(167)	-	81
Fairtrade Campaigns	10	17	(27)	-	-
'Great Cotton Stitch-Up' report & launch	-	14	(11)	-	3
Total	68	221	(205)	-	84
TOTAL RESTRICTED FUNDS	490	1,526	(1,514)	-	502
Unrestricted Funds					
Designated Funds					
Fixed Assets	720	-	(237)	273	756
Total	720	-	(237)	273	756
General Funds	1,714	9,407	(9,635)	(273)	1,213
TOTAL UNRESTRICTED FUNDS	2,434	9,407	(9,872)	-	1,969
TOTAL FUNDS	2,924	10,933	(11,386)	-	2,471

Description of Funds**Restricted Funds****Fairtrade for Development in Africa**

The Fairtrade Foundation received two grants from Comic Relief for programmes in Africa. The Special Initiative grant is supporting capacity building of Fairtrade Africa (the network of producers in Africa) and of Fairtrade Label South Africa, the development of Fairtrade standards relevant to Africa and support on the ground for producers. In the UK, the grant supports the development of innovative new media channels linking Fairtrade producer communities with the UK public, supported by match-funding from the Allan and Nesta Ferguson Charitable Trust. A supplementary grant from Comic Relief explored the effects of climate change on the Shea tree.

Enlarging the Fairtrade Product Range

The Fairtrade Foundation received support from the Waterloo Foundation and the Marr-Munning Charitable Trust towards the development of Fairtrade and Fairmined standards for gold; the Waterloo Foundation with a two-year commitment towards producer support in Latin America to bring nine pilot mining organisations to Fairtrade certification. Additional small grants were received from charitable trusts and foundations to support the development of Fairtrade standards for shrimp and rubber.

KPMG's BRIGHT Programme for Fairtrade Africa

Through KPMG's BRIGHT Programme, 18 KPMG staff will work for two weeks each in four African countries to share knowledge and skills on the ground with Fairtrade producers and Fairtrade organizations, strengthening processes around business systems, financial management and risk

Notes to the Financial Statements

management; for example, KPMG employees will work with Fairtrade Label South Africa (FLSA) to strengthen processes for the administration of their license fee income.

Fairtrade model for textiles pilot

This pilot is one of four 'options' being explored as part of the FLO textiles strategy, looking at the opportunities and implications for developing a Fairtrade standard for textile manufacture in Fairtrade cotton supply chains. The 'option' being explored in this project is for a Fairtrade model for textiles based around the empowerment and development of workers. TRAIID (Textile Recycling Aid for International Development) has fully-funded the pilot, which is running until Spring 2012.

Producer Liaison and Support

Work to support the development of a regional market for Fairtrade products in the Windward Islands and support recovery post- Hurricane Tomas was funded by grants from small-medium sized charitable trusts and foundations.

Fairtrade Campaigns

A variety of campaigns support the growing grass roots movement of individuals, local organisations and schools around the UK striving to achieve Fairtrade status by reaching targets on awareness and availability of Fairtrade products. This year the Fairtrade Towns and Schools campaigns both reached 500 awarded bodies, supported by small grants from charitable trusts and foundations. As in previous years, the Fairtrade Fortnight producer tour was supported by grant funding from charitable trusts and member organisations.

'Great Cotton Stitch Up' report and launch

In November 2010 we launched 'The Great Cotton Stitch-Up', a policy report highlighting the \$47billion wall of cotton subsidies paid by the US and EU and the impact this is having on the livelihoods of West African cotton farmers. The report, funded by RISC (Reading International Solidarity Centre), forms part of a year-long campaign to raise the profile of Fairtrade cotton 5 years after it was launched, supported by an exhibition of photographs by Trevor Leighton featuring well known celebrities wearing Fairtrade cotton items. The photographs and report were launched at an event at the Greater London Authority's City Hall in November, funded by Shared Interest.

Designated Funds

Fixed asset fund

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

13 Analysis of Fund Balances held on 31 December 2010

	General £ 000	Designated £ 000	Restricted £ 000	Total £ 000
Tangible fixed assets	-	756	-	756
Current assets	4,342	-	529	4,871
Current liabilities	(2,975)	-	(27)	(3,002)
Long term liabilities	(78)	-	-	(78)
Provisions	(76)	-	-	(76)
Fund balances at 31 December	1,213	756	502	2,471

14 Notes to the Cashflow Statement**Reconciliation of net (expenditure) to operating cash flow**

	2010 £ 000	2009 £ 000
Net (expenditure)	(453)	(883)
Interest receivable	(4)	(8)
Interest payable	26	-
Depreciation charge	237	100
(Increase) in stocks	(16)	(1)
(Increase) / decrease in debtors	(417)	214
(Decrease) / increase in creditors excluding short term borrowings	(86)	1,436
Increase in provisions	16	40
Net cash (outflow) / inflow from operating activities	(697)	898

Analysis of net funds

	Balance at 01 Jan 2010 £	Cashflow movement £	Balance at 31 Dec 2010 £
Cash at bank and in hand	1,176	(490)	686
Net funds	1,176	(490)	686

15 Financial Commitments under Operating Leases

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

	2010 £ 000	2009 £ 000
Land & buildings – leases expiring:		
Within 1 year	-	-
In years 2 to 5	511	511
Total	511	511

Notes to the Financial Statements

16 Share Capital

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

17 Related Parties

The Fairtrade Foundation is one of the 21 National Labelling Initiatives that are members of Fairtrade Labelling Organisation International eV, the umbrella organisation based in Germany that is responsible for the international standards that underpin Fairtrade and, through its subsidiary FLO-CERT GmbH, for certifying adherence to the standards by producers. As a National Labelling Initiative the Fairtrade Foundation pays membership fees to FLO eV and FLO-CERT and also sources external funds for FLO's work from third party donors. Details of the fees paid to FLO eV and FLO-CERT are given in note 4. Additional costs of £85,000 from FLO eV (2009: £29,000) and £168,000 from FLO-CERT (2009: £294,000) were incurred for work done on behalf of the Foundation.

As explained in the Structure, Governance and Management section of the Report of the Trustees, up to eight Trustees are appointed by the members of the Fairtrade Foundation. During the year, four Trustees were employees of member organisations: David McCullough (Oxfam), Melissa Duncan (Traidcraft Exchange), Patricia Alexander (Shared Interest Society Ltd) and Deborah Doane (World Development Movement). The Shared Interest Society Ltd provided the Foundation with access to a credit facility in 2010. Details of the facility are given in note 10. Its subsidiary charity The Shared Interest Foundation provided grant support to the Foundation in the course of the year, details of which are provided in note 3.

The Foundation provided funding to two member organisations in the year to carry out joint project in relation to our campaign objectives: £21,040 to People and Planet supported the Cotton Campaign and provided a teacher training workshop and £13,917 to Traidcraft Exchange supported Policy Unit Trade Work and provided expenses for two speaker schools training sessions. The Foundation also purchased £3,036 of food supplies directly from the licensee Traidcraft PLC, the parent company of Traidcraft Exchange, for use in the office and to support a Foundation staff initiative to operate a regular Fairtrade products stall within the Foundation's office.

Traidcraft Exchange is a sister charity of Traidcraft plc, a licensee company which pays licence fees to the Fairtrade Foundation on the sales of Fairtrade marked products. Merling Preza, from the CLAC (Latin American and Caribbean Network of Small Fair Trade Producers), Tomy Mathew from Fair Trade Alliance Kerala and Alex Yeboah-Afari (African Fairtrade Network) are representatives of regional Fairtrade producer groups on the Board of the Foundation. Merling Preza is also the General Manager of Prodecoop, a producer group that, as part of the Fairtrade system, is subject to certification inspections from, and pay associated fees to, FLO-CERT.

The Fairtrade Foundation used Andrum Ltd for recruitment consultancy services in 2010. David Clayton-Smith, the Chair of the Board of Trustees, is a partner in this company. Costs of less than £1,000 were incurred (2009: £4,000) with Andrum Ltd.

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

Directors/Trustees

Patricia Alexander ACA (Treasurer) ¹	
David Clayton-Smith (Chair) ^{1 3 4}	
Deborah Doane	Appointed December 2010
Melissa Duncan ^{1 2} (Vice-Chair)	
Tomy Mathews	
Simon Maxwell ³	
Ed Mayo	Term ended in June 2010
Merling Preza	
Bert Schouwenburg	
Nabilai Suma ⁴	Term ended in September 2010
Joy Thompson ²	
Alex Yeboah-Afari ⁴	
David McCullough ⁴	Appointed March 2010

Independent Committee Members

Richard Gough ¹	
Maria Standingford ^{1 3}	
David Krucik ¹	
Ann Davison ²	Term ended in April 2011
Nabilai Suma ³	Appointed July 2011
Rob Hardy ²	

¹ Member of Executive Committee

² Member of Certification Committee

³ Member of Remuneration Committee

⁴ Member of Nominations Committee

Senior Management

Harriet Lamb CBE	(Executive Director)	
Mike Gidney	(Deputy Executive Director)	
Ian Bretman	(Director of Strategy and Innovation)	
Tim Gutteridge	(Director of Finance and Resources)	
Barbara Crowther	(Director of Policy and Communications)	
Chris Davis	(Director of Producer Partnership)	
David Meller	(Director of Certification)	Appointed February 2011
Cheryl Sloan	(Director of Marketing)	
John Tashiro	(Interim Director of Marketing)	Appointed January 2011
Martin Hill	(Director of Commercial Relations)	Resigned February 2010
Ashish Deo	(Director of Commercial Relations)	Appointed June 2010

Reference And Administrative Information

Company Secretary

Tim Gutteridge

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

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Kings Hill
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