

# The Fairtrade Foundation



## Annual Report and Financial Statements

for the year ended 31 December 2005

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# The Fairtrade Foundation

## Report of the Trustees

### For the year ended 31 December 2005

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 2005. The Legal and Administrative information on pages 29 and 30 form part of this Report.

## Objectives and Activities

The Foundation's vision is of:

*A world in which every person, through their work, can sustain their families and communities with dignity.*

The Foundation works to the definition agreed by FINE, which brings together all the Fair Trade networks internationally: "Fairtrade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the South."

The objects of the charity, as set out in the Memorandum and Articles of Association, are:

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

and are translated within the context of the Fairtrade Foundation's work into the following objectives:

- To assist disadvantaged producers and workers in the developing world to improve their social and economic position through improved market access, information and terms of trade.
- To raise awareness among consumers, enabling them to make informed choices about purchases.
- To influence UK companies to expand Fairtrade product availability and to develop better trading relationships with suppliers in the South.

The Foundation part-owns 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 and, through its subsidiary FLO Cert, for certifying adherence to the standards by producers.

The Foundation seeks to achieve these objectives through three key areas of activity:

- Providing an independent certification of the trade chain, with the FAIRTRADE Mark as the consumer guarantee.
- Facilitating the market so that producers can sell to traders and retailers and the market for Fairtrade grows.
- Awareness-raising among consumers of the need for Fairtrade and the importance of the FAIRTRADE Mark.

In 2004 the Foundation undertook a strategic review involving consultations with major stakeholders culminating in Board approval in December 2004 for the long-term goal of seeking to take Fairtrade much wider, while ensuring that mainstreaming is always done with credibility and that Fairtrade systems are strengthened. The plan also set short term priorities for 2005 and 2006 against which we are now able to monitor and report back on.

### Achievements and Performance

The key priorities set for 2005 and 2006 through the strategic plan are:

- To maintain the current momentum of growth in sales of Fairtrade products through:
  - Being proactive on core products with significant potential.
  - Improving the level and quality of trade communications and prioritising key strategic relationships.
  - Expediting the development and launch of new products.
  
- To maintain the current growth in awareness of Fairtrade and increase the active purchasing of Fairtrade products by:
  - Stressing the guarantee of the Mark without ever overclaiming.
  - Maintaining and developing the activist base, seeking to deepen their understanding and effectiveness in reaching new consumers.
  - Putting more resources into communications initiatives developed with commercial partners, and driving effective consumer messages.
  
- To invest new resources in strengthening our systems both at the Foundation and internationally by:
  - Building an international vision of improving links with producers.
  - Strengthening FLO's standard setting processes and the Foundation's contributions to that process.
  - Considering the best option for external verification of Fairtrade certification.
  - Improving the Foundations internal organisational systems.

At the end of 2005 the Trustees are pleased to report significant progress against each of these priorities

- To maintain the current momentum of growth in sales of Fairtrade products:

Retail sales products with the FAIRTRADE Mark for 2005 are estimated to be £195 million, up 38% from the £141 million reported for 2004. Established core products continue to see significant growth rates – for example coffee sales rose by 34% and banana sales by 56% while recent new products such as wine have shown very large growth.

The importance of the sales figures for producers in developing countries is demonstrated by the expansion of producer groups now able to trade within the Fairtrade system. There are now over 300 producer groups supplying the UK market – an increase of 53% within a year – with many producer groups representing thousands of farmers such as the Windwards Islands group where 3,600 farmers are registered to sell Fairtrade, 90% of all the banana farmers in the islands. 32 of the new producer groups supplying the UK this year are from Africa, representing a 48% growth.

The growth in sales comes from existing licensees expanding their current business, as well as the increasing number of registered licensees, rising from 157 to 193 during the year, and the increasing number of FAIRTRADE Marked products, which rose from 872 at the start of the year to over 1,500 by December 2005. To achieve this growth the Foundation works with a full range of licensees and retailers – small and large companies, long standing and new entrants to Fairtrade, dedicated pioneering companies for whom Fairtrade is their mission and those for whom it is just a part. A significant development in the year was the decision of Nestle UK to develop its first coffee product carrying the FAIRTRADE Mark, Nescafé Partner's Blend, sourced from five producer groups in Ethiopia and El Salvador. The Trustees engaged with numerous stakeholders before approving certification of the product.

The scope of Fairtrade product ranges has been increased in 2005 through the launch of Fairtrade rice and cotton. Fairtrade rice was launched in June 2005 when basmati rice grown by smallholder farmers in the foothills of the Himalayas in North India was brought to the market by Community Foods Limited in their 'Crazy Jack' range and went on sale first in 150 Tesco stores. The Khaddar Farmers' Federation, which was one of three farmers' groups in India to be certified to supply rice to the Fairtrade market at the time of the launch, intends to use the Fairtrade premium to construct a number of small bridges and roads to villages that are often inaccessible during heavy monsoon rains.

Fairtrade cotton was launched in November 2005. Ten companies, mostly trading via a range of independent shops, websites and catalogues, made products available carrying the FAIRTRADE Mark. Most of these companies were among the pioneers of the fair trade movement trading ethically for years, such as Traidcraft, People Tree, and Bishopston Trading, but the cotton is now independently certified against international Fairtrade standards. Items launched carrying the Mark included women's and men's T-shirts, shirts, trousers, dresses, children's and babywear, underwear and cotton wool. With cotton such an important product for the developing world the introduction of Fairtrade cotton has significant potential to extend the benefits of Fairtrade to new groups of farmers. This potential was demonstrated in early 2006 when Marks & Spencer launched their first Fairtrade cotton products and committed themselves to increase their range of products carrying the Mark.

- To maintain the current growth in awareness of Fairtrade and increase the active purchasing of Fairtrade products:

The main mechanism for monitoring awareness of Fairtrade is the annual consumer survey undertaken after Fairtrade Fortnight. In 2005 the survey showed that 50% of the adult population could identify the certification mark, up from 25% in 2003 and 39% in 2004. Particularly pleasing was that the FAIRTRADE Mark is now reaching younger and more diverse audiences. The highest recognition of the FAIRTRADE Mark is now among the 25-34 age group (a 19 point increase to 55%) and people in this group are now just as likely as older age groups to buy Fairtrade products regularly.

The principle message for Fairtrade Fortnight 2005 was "Checkout Fairtrade". The aim was to deepen understanding about the positive impact of Fairtrade, and to highlight in particular the five guarantees behind the FAIRTRADE Mark:

- Farmers receive a fair and stable price for their products.
- Farmers and plantation workers have the opportunity to improve their lives.
- Greater respect for the environment.
- Small-scale farmers gain a stronger position in world markets.
- A closer link between consumers and producers.

The growing support amongst the UK public to promote Fairtrade as well as purchase FAIRTRADE Marked products is shown by the numbers of our supporter base. During the year the number of supporters on our database doubled to nearly 60,000 and the number of towns and cities achieving Fairtrade status rose from 77 to 145.

The Foundation is also aiming to highlight to the consumer its own independent role in sitting behind, and guaranteeing, the FAIRTRADE Mark and to that extent has conducted a review of our messaging that will be further developed and rolled out during 2006.

We are also part of a much wider alliance of agencies stressing the need for wider changes to the international trade rules. The Foundation played its part in the events surrounding the G8 summit at Gleneagles in July including ensuring that delegates attending the summit were drinking Fairtrade tea and coffee, sweetened with Fairtrade sugar. Benjamin William Mkapa, President of the United Republic of Tanzania, paid tribute to this work:

"I want to thank you for the work you are doing at the Fairtrade Foundation including actually getting the G8 leaders and the media at Gleneagles to drink Tanzania's finest coffee, fairly priced.

When the Fair Trade movement began, people did not take it too seriously. Today, thanks to the dedication and perseverance of people like you no-one can afford to ignore your opinion and the plight of poor producers any longer.

## Report of the Trustees

I thank you, I encourage you and I assure you the support of my government.”

- To invest new resources in strengthening our systems both at the Foundation and internationally:

In 2005 the internal structure of the Foundation has been adjusted so that in addition to the units responsible for relations with commercial operators and for communications with our supporters, we now have two separate dedicated units one with responsibility for the certification processes, the other for all the organisational support functions. By having a unit purely responsible for certification we have raised the focus on ensuring a clear system is in place for supply chain verification and is able to consider the steps to strengthen this further. As the Foundation grows in size as an organisation the need for a unit providing support to all the main line functions is critically important. This allows us to work more proactively on our personnel development and policies, to invest in new systems, and to work on smarter management systems to ensure we work as effectively as possible.

## Plans for 2006 and Beyond

In setting the plans and budgets for 2006 the Trustees have carefully reviewed the progress made in 2005 and the risks and opportunities now facing the Foundation. Although year on year the absolute increases necessary to maintain the percentage growth in sales of Fairtrade products increase, the Trustees feel that it is still reasonable, given the current level of market opportunities, to aim to achieve a further growth in sales in line with 2005. Similarly with public recognition reaching higher levels there will inevitably be a level at which awareness will peak, but at the current time it is vitally important that the Foundation continues to build upon its success and so we expect further progress towards our long term objective of 75% public recognition.

At the moment Fairtrade, both in the UK and globally, stands on the threshold of a major leap forward in size and impact. Yet this requires significant investment to work with an ever increasing range of producer groups to help them take the opportunities available and develop and continually improve the standards for an ever increasing diverse range of products. This growth must also be undertaken while always strengthening the Fairtrade system and without losing focus of our wider developmental aims. The raising of the appropriate levels of investment to seize the moment will be one of the major challenges for the next few years.

## Financial Overview of 2005

Incoming resources for the year increased by 33% to nearly £2.7 million with an increase in all main income streams. The principle component of income, licence fees payable by companies carrying the FAIRTRADE Mark on their products, rose by 32% to over £1.8 million, but this was influenced by the reduction in the rate of licence fees that was introduced in April 2005, and as indicated above the underlying increase in the sales of Fairtrade goods, and therefore benefits to producers, was in the region of 40% by value and 50% by volume. The reduction in the level of licence fee rate was made after careful consideration of the level and mix of resources required by the Foundation to effectively carry out its mission and to ensure that the costs of the Fairtrade system do not become a barrier to new companies and producers coming in to the system. While this continual significant increase in sales of Fairtrade goods is partly driven by the ever expanding range of Fairtrade products and new companies joining the market, it is noticeable that many companies that have been in Fairtrade from the very early days are also seeing significant increases in their own volumes.

Grant income rose by nearly 50% from 2004 reversing the decline reported last year. Part of this was due to the fact that some grants came to a close in 2004 and so lead to a decline last year, but the Foundation has successfully negotiated a number of new grants during the last 12 months. In January a new three year grant worth £250,000 a year was agreed with the UK's Department for International Development (DFID). This grant continues DFID's previous support for the work to bring new products to market, but the new grant also provides support for the Foundation's policy expertise and allows us to look at longer term funding options. We are also delighted that a number of new funders have committed themselves to supporting the Foundation in 2005 and these include The Rufford Maurice Laing Foundation, The John Ellerman Foundation and The Four Acre Trust. In particular these grants have enabled us to provide a greater level of support to FLO in the funding of producer liaison and

support activities around the world, where, although Fairtrade is rapidly expanding, the level of support for producer groups is still spread very thinly. The Foundation was also successful in an application to The Funding Network which supported the public launch of Fairtrade Cotton in November 2005.

Donations to the Foundation fell slightly from 2004, but this was chiefly due to the introduction of charging for some supporter materials previously provided free, and this is reflected in a corresponding increase in revenue from sale of merchandise.

With the increasing level of income both in 2005 and in the previous year the Trustees were able to authorise a significant increase in resource allocations determined by the strategic plan agreed at the end of 2004. This identified key areas for development as

- Continuing to maintain the current momentum of growth in the sales of Fairtrade products and awareness of the Fairtrade Mark.
- Consolidating the opportunities that are currently available.
- Investing new resources in the strengthening of our systems both in the Foundation and internationally.

And these key aims have provided the basis for directing resources.

There has been a targeted increase in the staffing resource, especially within the Business Development area that assists companies and producers to bring new products to market, and this trend is likely to continue into 2006.

Overall there were net incoming resources of £262,000 which led to an increase in total funds from £732,000 to £994,000. Of this £48,000 relate to restricted funds where there are precise donor requirements over how these monies can be spent, and a further £112,000 which has been designated by the Trustees for specific purposes. This leaves £834,000 of unrestricted funds, which as noted below is above the level of funds which the Trustees currently feel the Foundation needs to retain as reserves. Accordingly a deficit budget has been approved for 2006 to reduce these reserves down to their desired level over the medium term.

### **Investment Policy and Performance**

The Memorandum of Association allows the Foundation to invest money 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 financial resources, has restricted investment to on-call cash deposit accounts. During the year the Board reviewed this investment policy and set out guidelines under which cash could be invested in short term cash deposits of up to six months. The Board also reviewed the criteria to be used to determine financial and ethical exposure to investments and agreed to use publicly available information from Moody's and the Ethical Investment Research Service for these purposes. The Trustees believe this approach to its investments is an appropriate way for the charity to hold these funds.

## Report of the Trustees

### Risk Management

The Trustees undertake a detailed review of risks facing the Fairtrade Foundation at least once a year 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 mitigate those risks. Many of these risks are commercial external ones and reflect the fact that the Fairtrade Foundation is just one actor 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. Examples include:

- Written procedures governing the delegation of authority to the Executive Director and to other staff.
- Formal limits of authorised expenditure for each staff member and the requirement for at least two signatories to approve transactions.
- Segregation of duties related to finance amongst members of staff, as far as possible.
- Membership of the Charity Finance Directors Group to ensure best practice is monitored.
- Regular reviews and reconciliations of the accounting records by senior staff.
- Responding to any control issues highlighted by our auditors.

### Reserves Policy

The Trustees see the reserves policy as an integral part of the risk management of the Foundation. The target level of unrestricted reserves held by the Foundation is reviewed by the Trustees as part of the annual planning cycle and reviewed at regular intervals. 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 £410,000 and £565,000.

At 31 December 2005 the level of reserves was above this target range and accordingly the Trustees have set a deficit budget for 2006 to invest this surplus in the future growth of Fairtrade and in accordance with the strategic plan for the organisation. The Trustees will continue to review the appropriate level of reserves so that as the Foundation and Fairtrade continues to grow, the types of risks, their potential, and therefore the financial security needed, is constantly revised.

## 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, and 15 July 2005. 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 seven organisations have joined as members and a full list of member organisations is given on page 30.



### Trustee Appointment and Induction

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

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

When considering co-options, the Trustees review the skills already represented on the Board and seek to ensure that the specification drawn up for co-opted places highlights the key requirements to ensure that the Board has a full balance of the skills needed for the organisation. Although co-opted appointments will often be through searches of known individuals, the Board does consider external advertisements. In 2005 this was undertaken by the Foundation for the first time when it was trying to recruit a new Treasurer for the Board. The post was advertised in national and voluntary sector press and attracted a wide range of highly qualified candidates. Short listed candidates were interviewed by a sub committee approved by the Board and a formal recommendation put forward to the full Board for ratification.

Trustees joining the Board come from a wide background - some will already have detailed knowledge of the Fairtrade Foundation and wider trade issues, others will not. The Foundation has developed a programme to ensure that all Trustees are brought up to date in their knowledge both of the Foundation and their responsibilities as Trustees. All 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. Induction days are held for new Trustees that provide them with the opportunity to meet members of staff and to hear more about operational plans and priorities. 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.

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

## Report of the Trustees

The Board has two sub committees: the Executive Committee and the Certification Committee.

The Executive Committee consists of at least two Board members and a specialist adviser on personnel issues 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 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 four members – two members are appointed by the Board (of whom at least one must be a Trustee) and two external experts from relevant fields of experience - and meets four times a year

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

Minutes of Executive and Certification Committee meetings are reported to the subsequent full Board meeting so that all trustees are informed of significant issues discussed at a sub committee level.

## Operational Management

A scheme of delegation is in place which devolves day-to-day operational management of the Foundation to the Executive Director who is supported by a senior management team consisting in 2005 of the Deputy Director (with specific responsibility for Commercial Relations), Head of Communications, Head of Certification, and Head of Finance and Resources.

## Trustees' Responsibilities

The directors 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 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.

**Acknowledgements**

The Trustees acknowledge that the success of the Fairtrade Foundation is the result of the work, effort and determination of a wide range of stakeholders. From the donors listed in notes 3 and 4, the hundreds of thousands of consumers who buy FAIRTRADE Marked products week-in week-out; the Foundation's licensees who have the imagination and vision to develop new products; the producers and retailers who play their part in the supply chain; the numerous non-governmental organisations and supporters who organise events and lobby organisations to stock Fairtrade goods; through to the staff and volunteers at the central office. The Trustees especially wish to acknowledge the time and support provided by our patron George Alagiah.

**This report was approved by the Trustees on 24 May 2006 and signed on their behalf.**

Mike Gidney

Chair of the Board  
The Fairtrade Foundation

24 May 2006

## **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 2005 which comprise the Statement of Financial Activities (incorporating the Summary Income and Expenditure Account), the Balance Sheet, and related Notes. These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting by Charities, Financial Reporting Standards for Small Entities (effective June 2002) under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charitable charity'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 charity'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 charity and its members as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective Responsibilities of Trustees and Auditors**

The Trustees' (who are also the directors of the Fairtrade Foundation for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice applicable to charities) 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 (UK 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 and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", published in 2005. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the charity is not disclosed.

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

### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK 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 financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable charity's affairs as at 31 December 2005 and of its incoming resources and applications of resources, including its income and expenditure, for the year then ended: and
- have been properly prepared in accordance with the Companies Act 1985.

Signed by:

Date: 24 May 2006

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

# The Fairtrade Foundation

## Statement of Financial Activities for the year to 31 December 2005 (including Income and Expenditure Account)

		2005		2004	
	Notes	Unrestricted £	Restricted £	Total £	Total £
<b>Incoming resources</b>					
<i>Incoming resources from generated funds</i>					
Donations and miscellaneous income	2	111,123	-	111,123	134,159
Grants receivable	3 & 4	152,400	453,968	606,368	413,248
Interest received	5	23,742	-	23,742	11,449
<i>Incoming resources from charitable activities</i>					
Licence fees	6	1,839,037	-	1,839,037	1,396,858
Sale of promotional items	7	88,930	-	88,930	54,884
<b>Total incoming resources</b>		<b>2,215,232</b>	<b>453,968</b>	<b>2,669,200</b>	<b>2,010,598</b>
<b>Resources expended</b>					
Cost of generating voluntary income	8	46,843	6,500	53,343	42,142
<i>Charitable Expenditure</i>					
Certification, licensing and product development	9	929,921	347,572	1,277,493	845,200
Public education and awareness	10	860,544	181,227	1,041,771	664,531
<b>Total charitable expenditure</b>		<b>1,790,465</b>	<b>528,799</b>	<b>2,319,264</b>	<b>1,541,966</b>
Governance costs	11	34,927	-	34,927	32,235
<b>Total resources expended</b>		<b>1,872,235</b>	<b>535,299</b>	<b>2,407,534</b>	<b>1,584,108</b>
<b>Net income / (expenditure) before transfers</b>	13	<b>342,997</b>	<b>(81,331)</b>	<b>261,666</b>	<b>426,490</b>
Transfers between funds		(59,387)	59,387	-	-
<b>Net income / (expenditure) after transfers</b>		<b>283,610</b>	<b>(21,944)</b>	<b>261,666</b>	<b>426,490</b>
Fund balances brought forward		662,308	69,567	731,875	305,385
<b>Fund balances carried forward</b>	18-21	<b>945,918</b>	<b>47,623</b>	<b>993,541</b>	<b>731,875</b>

There were no recognised gains or losses for 2005 or 2004 other than those included in the Statement of Financial Activities.

The Notes on pages 14 to 28 form part of these Financial Statements.

# The Fairtrade Foundation

## Balance Sheet as at 31 December 2005

	Notes	2005		2004	
		£	£	£	£
<i>Fixed assets</i>					
Tangible assets	15		41,993		17,218
<b>Current assets</b>					
Closing stock of promotional items		16,743		20,539	
Debtors	16	921,796		737,144	
Cash at bank and in hand		741,060		479,067	
		<b>1,679,599</b>		<b>1,236,750</b>	
<b>Creditors</b>					
Amounts falling due within one year	17	(728,051)		(522,093)	
<b>Net current assets</b>			951,548		714,657
<b>Net assets</b>			<b>993,541</b>		<b>731,875</b>
<b>Funds</b>					
Restricted funds	18	47,623		69,567	
<b>Total restricted funds</b>			<b>47,623</b>		<b>69,567</b>
Unrestricted – designated	19	111,993		87,218	
Unrestricted	20	833,925		575,090	
<b>Total unrestricted funds</b>			<b>945,918</b>		<b>662,308</b>
<b>Total funds</b>	21		<b>993,541</b>		<b>731,875</b>

Approved by the Board of Trustees on 24 May 2006 and signed on its behalf.

Mike Gidney  
Chair of the Board

24 May 2006

The Notes on pages 14 to 28 form part of these Financial Statements.

# The Fairtrade Foundation

## Notes to the Financial Statements

### for the year to 31 December 2005

#### 1 Accounting Policies

##### 1.1 Basis of preparation of accounts

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

The accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000), the Companies Act 1985 and *Accounting and Reporting by Charities: Statement of Recommended Practice* issued in 2005 (SORP 2005). SORP 2005 made some changes to the way charities should report, in particular a new definition of governance costs was introduced, and accordingly the 2004 accounts have been restated.

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

##### 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). The members of the Charity and FLO are Related Parties in the terms of SORP 2005.

##### 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 and are complemented by further amounts transferred from the unrestricted funds of the Foundation. The aim and use of each material restricted fund is set out in the Notes to the Financial Statements.

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

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

##### 1.4 Tangible fixed assets and depreciation

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

Depreciation is provided at rates between 25% and 33% calculated to write off the cost of fixed assets over their useful lives on a straight line basis starting in the year of acquisition.

##### 1.5 Incoming resources

Income from donations and miscellaneous income is included when received or when invoiced, whichever is the earlier.

Grant income is accounted for on a receivable basis where the Foundation has an agreed grant contract with a donor once expenditure has been incurred. The exception is that where donors specify that grants must be used in future accounting periods then the income is deferred until those periods.

Income from the sale of promotional merchandise is included when received or when invoiced, whichever is the earlier.

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

## Notes to the Financial Statements

Volunteers provide invaluable support to the Foundation. Volunteer supporters run local events to promote knowledge of the FAIRTRADE Mark in their communities. It is estimated that some 7,500 local events took place during Fairtrade Fortnight 2005. These events, and others throughout the year, depend heavily on the input of an unknown number of local volunteers.

In addition, over 100 volunteers helped in the Fairtrade office at some time during the year and provided an estimated 2,400 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.

### 1.6 Resources expended

All expenditure is included on an accruals basis. All costs have been attributed to one of the categories of resources expended in the Statement of Financial Activities (SOFA) and include a proportion of the support costs as detailed in Note 12. Support costs are apportioned on the basis of staff time spent on different activities and the demands each activity makes on central support resources.

**Fundraising costs** include all costs incurred in raising funds from, and reporting back to, government, European Commission, charitable trusts and foundations as well as other donors.

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

**Governance costs** include costs attributable to the governance of the charity and includes costs in order to ensure compliance with constitutional and statutory requirements.

### 1.7 Pensions

All permanent staff employed by the Foundation are eligible for membership of the defined contribution occupational pension scheme operated by the Pensions Trust. The scheme is contributory (staff paying 5% of salary and the Foundation 10% of salary). Alternatively, the Foundation contributes 10% of salary to approved pension schemes nominated by eligible staff provided the staff member contributes at least 5% of salary.

### 1.8 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 £30,030 (2004 - £18,539).

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

### 1.9 Taxation

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

### 1.10 Stocks

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



## 2 Sponsorship, Donations and Miscellaneous Income

	2005 £	2004 £
Sponsorship	30,000	41,289
Donations and miscellaneous income	81,123	92,870
<b>Total</b>	<b>111,123</b>	<b>134,159</b>

## 3 Grants Receivable

### 3.1 Unrestricted member grants

	2005 £	2004 £
Oxfam	42,000	48,000
Christian Aid	30,000	20,000
CAFOD	22,000	20,000
SCIAF	3,000	2,500
Shared Interest Foundation	500	-
<b>Total</b>	<b>97,500</b>	<b>90,500</b>

Members are not required to make grants but normally when they do they are for unrestricted funding. In addition some members make additional grants for specific purposes which are accounted for under restricted funds.

### 3.2 Other unrestricted grants

	2005 £	2004 £
The John Ellerman Foundation	20,000	-
The Rufford Maurice Laing Foundation	20,000	-
The Ajahma Charitable Trust	10,000	10,000
The Beatrice Laing Trust	2,000	-
Miss KM Harbinson's Charitable Trust	1,900	
Mrs FB Laurence Charitable Trust	1,000	
Stephen Clarke 1965 Charitable Trust	-	1,000
Other grants under £1,000	-	1,855
<b>Total</b>	<b>54,900</b>	<b>12,855</b>
<b>Total unrestricted</b>	<b>152,400</b>	<b>103,355</b>

## Notes to the Financial Statements

### 4 Restricted Grants

	2005		2004	
	£	£	£	£
<b>Public education and awareness projects</b>				
<i>Fairtrade Towns and Churches programme (4.1.1)</i>				
DFID	43,489		23,689	
Methodist Relief and Development Fund	12,600		6,300	
The Austin & Hope Pilkington Trust	1,000			
Others (under £1,000)	250	<b>57,339</b>	250	<b>30,239</b>
<i>Fairtrade Future (4.1.4)</i>				
DFID		<b>39,479</b>		-
<i>Fairtrade Fortnight (4.1.2)</i>				
Methodist Relief and Development Fund	10,000		5,000	
CAFOD	8,000		8,000	
The Rowan Charitable Trust	3,000		5,000	
United Reformed Church	2,000		4,000	
Network for Social Change	-		2,410	
Miss KM Harbinson's Charitable Trust	-		1,000	
Others (under £1,000)	500	<b>23,500</b>	1,000	<b>26,410</b>
<i>Database Development (4.1.5)</i>				
Four Acre Trust		<b>20,000</b>		-
<i>Cotton Launch (4.1.6)</i>				
The Funding Network		<b>11,769</b>		-
<i>Trade Justice Movement Support Project (4.1.3)</i>				
CAFOD	5,000		5,000	
Co-operative Bank	5,000		-	
Christian Aid	-	<b>10,000</b>	5,000	<b>10,000</b>
<i>Banana Campaign (4.1.6)</i>				
United Reformed Church		<b>1,726</b>		
<i>Other awareness grants</i>				
		-		<b>500</b>
<b>Total public awareness and education</b>		<b>163,813</b>		<b>67,149</b>

## 4 Restricted Grants – continued

	2005		2004	
	£	£	£	£
<b>Business and product development</b>				
<i>Fairtrade Future (4.1.4)</i>				
DFID		115,161		
<i>Enlarging the Fairtrade Product Range (4.1.7)</i>				
DFID	62,615		84,779	
Comic Relief	13,929		86,116	
The Hilden Charitable Fund	5,000		5,000	
The J.G. Joffe Charitable Trust	-		10,000	
Scott Bader Commonwealth Ltd	-		5,000	
The William A Cadbury Charitable Trust	-		2,000	
Morel Trust	-		2,000	
Others (under £1,000)	508	82,052	250	195,145
<i>Producer Liaison and Support (4.1.9)</i>				
DFID Regionalisation project (East Africa)	-		20,612	
Four Acre Trust	33,621		-	
The Rufford Maurice Laing Foundation	20,000	53,621		20,612
<i>Certification Inspector Training (4.1.10)</i>				
Four Acre Trust		16,552		
<i>Out of Home Project (4.1.8)</i>				
DFID	16,269		22,487	
The Jane Hodge Foundation	-		2,000	
Mrs FB Laurence Charitable Trust	-		1,000	
The SMB Charitable Trust	-		1,000	
Others (under £1,000)	-	16,269	500	26,987
<b>Total business and product development</b>		<b>283,655</b>		<b>242,744</b>
<b>Fundraising</b>				
<i>Fairtrade Future – DFID (4.1.4)</i>		6,500		-
<b>Total restricted grants</b>		<b>453,968</b>		<b>309,893</b>

## 4.1 Explanatory Notes

## 4.1.1 Fairtrade Towns and Churches Programme

This project, partly funded by DFID and the Methodist Relief and Development Fund, is to support the growing grass roots movement of individuals and local organisations striving to make their towns and churches “Fairtrade”. The programme funds a part-time co-ordinator position, volunteers and resource materials, including the associated mailing costs.

## 4.1.2 Fairtrade Fortnight

Most of our public awareness raising activity is focused on Fairtrade Fortnight, which takes place in March each year. Supermarkets, major development charities, churches, National Federation of Women’s Institutes members and thousands of supporters around the country promote Fairtrade during this period. Grant funding was provided by the funders listed in Note 4 above.

## Notes to the Financial Statements

### 4.1 Explanatory Notes (continued)

#### 4.1.3 Trade Justice Movement Support

Grants from CAFOD and Co-operative Bank were received to enable the Foundation to provide facilities for the Trade Justice Movement (TJM). This is a coalition working to redress the terms of trade in favour of producers who are disadvantaged by current rules.

#### 4.1.4 Fairtrade Future

This grant from DFID of £750,000 runs for three years from 2005 and comprises three elements of investment in the Fairtrade Foundation's future – support to the policy and communications work, support to the work of the organisation in bringing new companies and products into Fairtrade, and to fundraising in supporting the Foundation to become more financially sustainable. The three elements are shown within the appropriate functional heading above, but comprise a single grant. Total expenditure against the grant during 2005 was £161,141.

#### 4.1.5 Database Development

Four Acre Trust has provided funding of £20,000 to support the Foundation's development of its supporter database to enable better targeted communication with our growing number of supporters.

#### 4.1.6 Other Communications

Grants were also received in the year from The Funding Network towards the public launch of Fairtrade certified cotton and from the United Reformed Church towards a public campaign in relation to changes in the EU banana trade regime.

#### 4.1.7 Enlarging the Fairtrade Product Range

This project is to develop new Fairtrade products to extend the reach of Fairtrade labelling to new producers in the developing world, especially in Africa, and is being funded by DFID and Comic Relief and other organisations listed in Note 4. It will increase the range of Fairtrade products in the shops and so enable more producer organisations to benefit from Fairtrade.

#### 4.1.8 Out of Home Project

This project, funded predominantly by DFID, seeks to expand the demand for Fairtrade in the catering, hotel, and restaurant sectors by raising awareness both among suppliers and customers.

#### 4.1.9 Producer Liaison and Support

Funding has been received from Four Acre Trust and The Rufford Maurice Laing Foundation to provide support to banana producers in the Windwards Islands and flower farmers in Kenya respectively. The majority of this funding is disbursed via FLO eV.

#### 4.1.10 Certification Inspector Training

Four Acre Trust have provided funding to enable two training courses for inspectors based in the developing world that are a critical part of maintaining the high standards of Fairtrade as the movement expands. This funding is disbursed via FLO-Cert.

## 5 Interest Received

This is interest receivable on cash deposits. In 2004, £600 was attributable to restricted funds held pending disbursement. The Foundation holds no other investments.

## 6 Licence Fees

Licence fees for use of the Foundation's FAIRTRADE Mark are payable by companies marketing products carrying the Mark. This is the independent consumer guarantee of a better deal for Third World producers. The fees cover the costs of monitoring and audit to ensure compliance with Fairtrade standards and contribute to the costs of public education and awareness raising work. Monitoring and audit of UK licensees is undertaken 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. Overall licence fee income increased by 32% but this includes the impact of a change in the licence fee structure from April 2005 which included a 10% reduction in the headline rate of licence fees. The decrease in the rate of licence fees was designed to ensure that the cost of the Fairtrade system should not be a barrier to entry to the system. The underlying increase in sales of FAIRTRADE marked products, and therefore benefits to producers through sales and premiums is closer to 40% in value and 50% in volume.

## 7 Sale of Promotional Items

To help promote Fairtrade, the Foundation makes a range of items available for sale 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 but as part of charitable expenditure to promote public awareness.

## 8 Costs of Generating Funds

Covers the cost of staff taking part in fundraising through contacts with potential grantmaking bodies including government departments, the European Commission, and charitable trusts and foundations. No fundraising events or other fundraising activities have been organised during the period. A proportion of office services and occupancy costs are allocated to the activity.

	2005	2004
	£	£
Staff costs	26,955	23,959
Direct costs	5,375	806
Allocation of support costs	21,013	17,377
<b>Total costs of generating funds</b>	<b>53,343</b>	<b>42,142</b>

## 9 Certification, Licensing and Product Development Costs

This category includes the costs of :

- Certification costs including the monitoring and audit of supply chains, both in the UK and internationally, of products licensed to carry the Mark, including fees payable to FLO-Cert.
- Establishing and maintaining licence agreements and relationships with companies producing and distributing Fairtrade products and major retailers.
- Fees paid to FLO eV for 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.
- Developing new products, including the establishment of supply chains and assisting new producers to enter Fairtrade.

	2005	2004
	£	£
<b>Direct costs</b>		
International fees paid to FLO eV*	460,683	269,278
International monitoring fees paid to FLO-Cert*	90,717	63,164
UK monitoring fees**	20,444	18,437
Other direct costs of monitoring	5,993	2,735
New product and standard development	86,666	88,785
Licensing and marketing costs	57,871	31,820
Producer support ***	-	19,309
<b>Total direct costs</b>	<b>722,374</b>	<b>493,528</b>
<b>Indirect costs</b>		
Staff costs	327,992	203,833
Allocation of support costs	227,127	147,839
<b>Total indirect costs</b>	<b>555,119</b>	<b>351,672</b>
<b>Total certification, licensing and product development</b>	<b>1,277,493</b>	<b>845,200</b>

\* £127,394 of the fees paid to FLO eV (£72,997) and FLO-Cert (£54,397) is financed from restricted funding where the Foundation has raised funds for work undertaken directly by FLO.

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

\*\*\* This was a specific piece of work with producers in East Africa and was donor funded.

## 10 Public Education and Awareness

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

	2005 £	2004 £
<b>Direct costs</b>		
Fairtrade Fortnight	128,950	101,266
Promotional merchandise	100,610	54,259
Fair Comment newsletter	65,526	50,600
Supporter materials	59,346	19,367
Media costs	58,280	17,596
Fairtrade Towns and Churches programme	35,346	24,055
Mark development	32,551	-
Advertising and events	18,536	16,209
Consumer surveys	15,200	5,690
Other communications costs	14,794	4,545
<b>Total direct costs</b>	<b>529,139</b>	<b>293,587</b>
<b>Indirect costs</b>		
Staff costs	299,787	215,004
Allocation of support costs	212,845	155,940
<b>Total indirect costs</b>	<b>512,632</b>	<b>370,944</b>
<b>Total public education &amp; awareness costs</b>	<b>1,041,771</b>	<b>664,531</b>

### Fairtrade Fortnight

Most of our public awareness raising activity is focused on Fairtrade Fortnight, which takes place in the first two weeks of March each year. Supermarkets, major development charities, churches, National Federation of Women's Institutes members and thousands of supporters around the country promote Fairtrade during this period. Direct grant funding for the Fortnight of £23,500 was provided by the funders listed in Note 4 above, of which £11,500 was utilised against the 2005 events, together with £9,000 of funding provided in 2004. The remaining £12,000 has been carried forward for 2006 costs.

The total direct expenditure in the year on Fairtrade Fortnight was £128,949 which is analysed below.

	2005 £	2004 £
<b>Direct costs</b>		
Materials	116,643	92,310
Producer visits	2,781	6,182
Events and advertisements	8,008	2,764
Other costs	1,017	10
<b>Total direct costs</b>	<b>128,949</b>	<b>101,266</b>
<b>Funded by</b>		
Direct grant support (see Note 4)	20,500	17,410
Allocated against Fairtrade Towns programme funding	-	6,300
Unrestricted funding	108,449	77,556
<b>Total direct costs</b>	<b>128,949</b>	<b>101,266</b>

£103,920 (2004 - £112,711) of direct costs relating to Fairtrade Fortnight 2006 were incurred during the year. These have been treated as a prepayment (Note 16) and carried forward to 2006.

## Notes to the Financial Statements

### 11 Governance

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

	2005	2004
	£	£
<b>Direct costs</b>		
Audit fees	5,690	4,335
Legal fees	2,485	2,015
Trustee expenses	1,841	838
Board recruitment advertising	1,740	-
Board & AGM meeting costs	1,516	1,574
<b>Total direct costs</b>	<b>13,272</b>	<b>8,762</b>
<b>Indirect costs</b>		
Staff costs	13,120	13,605
Allocation of support costs	8,535	9,868
<b>Total indirect costs</b>	<b>21,655</b>	<b>23,473</b>
<b>Total governance costs</b>	<b>34,927</b>	<b>32,235</b>

### 12 Support Costs

Support costs comprise the general office costs of the organisation together with the central finance, IT and personnel functions. These costs are allocated to other cost headings on the basis of office space allocation and use of central service functions.

	2005	2004
	£	£
Staff costs	118,862	93,902
Office rent	100,272	72,618
Telephone, stationery, postage and photocopying	60,893	49,216
Rates and other occupancy costs	47,435	17,948
Information technology costs	28,775	27,850
Staff recruitment	22,644	8,780
Depreciation	19,361	12,325
Volunteer costs	16,433	14,781
Consultancies	12,863	6,664
Staff training and development	9,177	1,894
Bank charges	2,820	3,037
Staff travel	8,959	2,975
Legal costs	2,219	-
Insurance	2,094	2,527
Other office costs	5,422	4,771
Other support costs	11,191	11,736
<b>Total support costs</b>	<b>469,520</b>	<b>331,024</b>
<b>Allocated</b>		
Certification, licensing and product development	227,127	147,839
Public education and awareness	212,845	155,940
Cost of generating funds	21,013	17,377
Governance	8,535	9,868
<b>Total support costs</b>	<b>469,520</b>	<b>331,204</b>



### 13 Net Income for the Period

Net income for the period is stated after charging.

	2005	2004
	£	£
Depreciation of fixed assets	19,361	12,324
Audit fees	5,690	4,335
Other services provided by auditors	-	-

### 14 Staff Costs and Trustees Remuneration

No remuneration was paid to Trustees in the year. Travel expenses in carrying out the functions of the Foundation are reimbursed to Trustees who are not otherwise able to claim. £1,841 (2004 - £838) was reimbursed to four Trustees (2004 – four Trustees).

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

	2005	2004
	£	£
Wages and salaries	666,981	473,209
Social Security costs	68,925	49,024
Pension contributions	43,262	28,069
Agency staff	7,548	-
<b>Staff costs</b>	<b>786,716</b>	<b>550,302</b>
<b>Staff recruitment costs</b>	<b>21,450</b>	<b>8,780</b>

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

	2005	2004
Director	1	1
Marketing	7	5
Certification	2	1
Communications	10	7
Fundraising	1	1
Support and administration	4	3
<b>Total</b>	<b>25</b>	<b>18</b>

## Notes to the Financial Statements

### 15 Tangible Fixed Assets

#### Office equipment, fixtures and fittings

	£	£
<b>Cost at 1 January 2005</b>		<b>62,504</b>
Add – additions	44,136	
Less – disposals	23,804	
<b>At 31 December 2005</b>		<b>82,837</b>
<b>Depreciation at 1 January 2005</b>		<b>45,286</b>
Less – accumulated depreciation on disposals	23,804	
Add - charge for period	19,361	
<b>At 31 December 2005</b>		<b>40,845</b>
<b>Net book value at 1 January 2005</b>		<b>17,218</b>
<b>Net book value at 31 December 2005</b>		<b>41,993</b>

### 16 Debtors due within one year

	2005	2004
	£	£
Licence fees	588,191	472,160
Prepayments in relation to Fairtrade Fortnight	103,920	112,711
Grants receivable	124,027	54,059
Sponsorship monies due	30,000	48,515
Other income receivable	24,530	27,764
Other trade debtors	23,817	8,888
Deposit on premises	20,000	8,878
Other prepayments and sundry debtors	7,310	4,169
<b>Total debtors due within one year</b>	<b>926,799</b>	<b>737,144</b>

### 17 Creditors – amounts falling due within one year

	2005	2004
	£	£
Fees due to FLO	450,044	357,055
VAT payable	74,137	62,983
Other creditors and accruals	71,431	40,999
Trade creditors	109,720	38,410
Social Security and other taxes	22,719	15,716
Income received in advance	-	6,930
<b>Total creditors due within one year</b>	<b>728,051</b>	<b>522,093</b>

## 18 Restricted Funds

	Balance at January 2005	Incoming	Outgoing	Transfer from Unrestricted	Balance at December 2005
	£	£	£	£	£
<b>Public awareness and education</b>					
<u>Fairtrade Towns</u>					
DFID	-	43,489	85,944	42,455	-
Other	3,150	13,850	10,700	-	6,300
<b>Total</b>	<b>3,150</b>	<b>57,339</b>	<b>96,644</b>	<b>42,455</b>	<b>6,300</b>
Fairtrade Fortnight	9,000	23,500	20,500	-	12,000
TJM Support	2,500	10,000	10,000	-	2,500
Fairtrade Futures	-	39,479	39,479	-	-
Database Development	-	20,000	1,109	-	18,891
Other	-	13,495	13,495	-	-
<b>Sub total</b>	<b>14,650</b>	<b>163,813</b>	<b>181,227</b>	<b>42,455</b>	<b>39,691</b>
<b>Business and product development</b>					
<u>Expanding the Fairtrade Product Range</u>					
DFID	-	62,615	62,615	-	-
Comic Relief	52,917	13,929	66,846	-	-
Other	2,000	5,508	7,508	-	-
<b>Total</b>	<b>54,917</b>	<b>82,052</b>	<b>136,969</b>	<b>-</b>	<b>-</b>
Out Of Home Project	-	16,269	33,201	16,932	-
Fairtrade Futures	-	115,161	115,161	-	-
Producer Liaison and Support	-	53,621	45,689	-	7,932
Certification Inspector Training	-	16,552	16,552	-	-
<b>Sub total</b>	<b>54,917</b>	<b>283,655</b>	<b>347,572</b>	<b>16,932</b>	<b>7,932</b>
<b>Fundraising</b>					
Fairtrade Futures	-	6,500	6,500	-	-
<b>Total restricted</b>	<b>69,567</b>	<b>453,968</b>	<b>535,299</b>	<b>59,387</b>	<b>47,623</b>

**19 Designated Funds**

	Balance at January 2005 £	Used in year £	New allocations £	Balance at December 2005 £
Office relocation and expansion	70,000	-	-	70,000
Non-cash assets	17,218	-	24,775	41,993
<b>Total designated funds</b>	<b>87,218</b>	<b>-</b>	<b>24,775</b>	<b>111,993</b>

**Office relocation / expansion fund**

With the continued growth of the Foundation there is continuing pressing need on office accommodation. The reserve is set aside to fund work on developing the Foundation's offices and to provide monies for the cost of a potential move from the current offices, including dilapidations that would be payable at the end of the lease in Baldwin's Gardens.

**Non-cash asset fund**

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

**20 Unrestricted Funds**

Funds sufficient to permit the charity to continue in operation in the short term while corrective measures are made to operations in the light of any of the risks with a financial impact occurring. The Trustees estimate that at December 2005 an appropriate range for these reserves is between £410,000 and £565,000. At the balance sheet date the level exceeded this range and accordingly the Trustees have set a deficit budget for 2006 utilising these surplus funds in line with the organisations strategic plan.

**21 Analysis of Fund Balances held on 31 December 2005**

	Unrestricted £	Designated £	Restricted £	Total £
Tangible fixed assets	-	41,993	-	41,993
Current assets	1,437,949	70,000	171,650	1,679,599
Current liabilities	(604,024)	-	(124,027)	(728,051)
<b>Fund balances at 31 December</b>	<b>833,925</b>	<b>111,993</b>	<b>47,623</b>	<b>993,541</b>

## 22 Financial Commitments under Operating Leases

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

	2005	2004
	£	£
<b>Land &amp; buildings</b>		
Expiry date between 1 and 2 years	80,000	61,222
<b>Computer equipment</b>		
Expiry date between 1 and 2 years	8,480	-
Expiry date between 2 and 5 years	-	8,480

On 20 February 2006 a further unit in Baldwin's Gardens was leased for a three year period with an annual rent of £22,000.

## 23 Share Capital

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

## 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 charity number

1043886

### Registered address

Room 204  
16 Baldwin's Gardens  
London EC1N 7RJ

### Patron

George Alagiah

### Directors/Trustees

Rosemary Byrde	(from 15 July 2005)
Jez Frampton	
Mike Gidney *	(and Chair from 15 July 2005)
Lynne Gregory ACA (Treasurer) *	(from 18 November 2005)
Cathy Keable Elliott	
Janice Langley **	
Peter Lockyer	(from 15 July 2005)
Ed Mayo	
Sue Osborne	(from 15 July 2005)
Bert Schouwenburg	(from 15 July 2005)
Adrian Stockman ACA (Treasurer) *	(until 15 July 2005)
Nabilai Suma **	
John Whitaker *	(Chair until 15 July 2005)

\* Member of Executive Committee

\*\* Member of Certification Committee

### Senior Management

Harriet Lamb CBE	(Director)
Ian Bretman	(Deputy Director and Head of Commercial Relations)
Barbara Crowther	(Head of Communications)
Ron Hinsley	(Head of Certification)
Martin Tyler	(Head of Finance and Resources)

### 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  
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

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

HSBC  
31 Holborn Circus  
London  
EC1N 2HR

**Solicitors**

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

**Auditors**

Trustient  
Buckingham House East  
The Broadway  
Stanmore  
Middlesex  
HA7 4EB