

The Fairtrade Foundation



Annual Report and Financial Statements

for the year ended 31 December 2007

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The Fairtrade Foundation

Report of the Trustees

For the year ended 31 December 2007

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 2007. The Reference and Administrative information on pages 32 and 33 form part of this Report.

Objectives and Activities

Charitable Objectives

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

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

The 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 and traders.

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 citizen's movement for change
- being recognised as the UK's leading authority on Fairtrade

Report of the Trustees

Achievements and Performance

The key priorities for 2007 were:

- To ensure the UK market delivers greater benefits to a greater number of producers, ensuring growth with integrity.
- To enhance the credibility and effectiveness of the Fairtrade system.
- To enhance the effectiveness of the Fairtrade Foundation as an organisation

Trustees review progress on each priority during the year through quarterly reporting against key performance indicators. For 2007 the following progress can be reported.

- To ensure the UK market delivers greater benefits to a greater number of producers, ensuring growth with integrity.

The sales value of FAIRTRADE marked products for 2007 have an estimated retail value of £493 million, up significantly from the 2006 figure of £290 million. The rate of growth of 70% also increased from 2006 (46%). More importantly still, the real volumes (by weight or number) of produce more than doubled over 2006, which is great news for the producers whose Fairtrade premiums are based on these volumes.

The number of producer groups supplying the UK market increased by around 20% to 428 by the end of the year demonstrating that the increase in sales is driven partly by bringing in new producer groups, but also through increasing the level of sales of producer groups already within the Fairtrade system.

One of the key drivers of the increase in retail sales was the switch to 100% Fairtrade bananas by both Sainsbury's and Waitrose which occurred during the year. These significant commitments contributed to an increase in the level of sales of 130% so that 1 in 4 of all bananas eaten in the UK is now Fairtrade.

Cotton sales also grew significantly – rising from estimated retail value of £4.6 million in 2006 to £34.8 million in 2007 – through significant commitments from Marks and Spencer and other major high street clothing retailers, in particular Tesco, stocking garments made from Fairtrade certified cotton for the first time. Sugar was the other major category where sales grew at an outstanding rate – up from £10.2 million to £46.1 million.

But all sectors continued to grow – coffee and teas sales both grew by 24%, flowers by 72% and cocoa products by 35%.

While some of these growth levels will be difficult to maintain in 2008, commitments during 2007 and early 2008 will continue to drive retail sales even higher - Sainsbury's and Co-op have both made significant commitments in relation to their own-label hot beverage ranges, and in February 2008 Tate & Lyle, in one of the biggest ever switches ever to be made to Fairtrade, announced that over the next two years it will convert all its retail branded sugar to Fairtrade. In the first stage of the conversion this will bring the benefits of Fairtrade to 6,000 small-scale growers in the Belize Sugar Cane Farmers' Association.

The Foundation has also invested significant time and resources in developing producer network relationships to enable producers to come even more into the heart of the movement. In particular the Foundation has worked with the African Fairtrade Network to help it develop its own strategic plan, culminating in a major grant from Comic Relief of £5 million to enable this to be implemented over the next five years.

- To enhance the credibility and effectiveness of the Fairtrade system

During 2007 the Foundation undertook a major strategic review which involved significant consultation with our external stakeholders. Fairtrade Labelling Organisations (FLO) has also been undertaking a review. These discussions have enabled active engagement with stakeholders in setting the goals and priorities for Fairtrade and identifying the critical points that need to be addressed to increase the effectiveness of the Fairtrade system as we seek to move to the next level of impact and operations.

The credibility and effectiveness of Fairtrade also comes from the level of public awareness and understanding amongst the general public. One of the key ways the Foundation measures this is through an annual consumer survey undertaken by TNS in the spring of each year. In 2007 the survey showed that 57% of the general public recognised the FAIRTRADE Mark (up from 52% in 2006) and that 53% understood that the mark stands for a better deal for Third World producers.

Other research further demonstrated the awareness amongst the public of Fairtrade. A survey carried out by BOND (British Overseas NGOs for Development) put public recognition of Fairtrade as a concept at around 90% and another survey undertaken by the Department for International Development (DFID) showed that 74% of the UK public support the purchase of ethically sourced goods as a way to tackle global poverty – a higher proportion than those suggesting charitable donations.

Fairtrade Fortnight ran from 26 February to 11 March with the theme Change Today, Choose Fairtrade, as a call to individuals, community groups, schools, universities and faith networks to scale up their own activity to realise the Fairtrade Foundation's vision of an even bigger movement for positive change on trade. The supporters of the Foundation and its NGO member organisations held over 10,000 local events during Fortnight. The level of grass root support is demonstrated by the ever increasing number of Fairtrade Towns, Schools, Universities, Churches and other faith groups.

- To enhance the effectiveness of the Fairtrade Foundation as an organisation

As the Foundation continues to grow rapidly, its systems, processes and procedures need to keep pace of this change and gear up for future growth. During the year a review of the certification function was undertaken by PricewaterhouseCoopers which identified a clear development plan to enable this function to continue to provide the independent guarantee for Fairtrade yet always act within our wider developmental aims. The next stage of this work, a thorough review of the business processes, commenced in late 2007 and will lead to the introduction of updated systems and processes capable of supporting our intended future growth during 2008.

Rapid growth also places tremendous demands on the staff and the Trustees pay careful attention to this. An annual staff survey is one of the methods used to monitor staff satisfaction and effectiveness and the results for 2007 showed encouraging progress from 2006. Human resource management has been strengthened during the year through the recruitment of additional staff and therefore a number of new initiatives are now underway.

The development of the new strategic plan highlighted the need for additional senior management expertise and resulted in the creation of a new role of Managing Director, a post that was filled in April 2008.

Report of the Trustees

Plans for 2008 and Beyond

During the year the Fairtrade Foundation has undertaken a major strategic review with significant input from all our stakeholders – our licensees and retail partners, producers, NGO partners, international colleagues and staff. We received considerable assistance in the review from one of our funders, Impetus Trust and their partners OC&C Strategy Consultants.

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 there is 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.

Financial Overview of 2007

Incoming resources for the year increased by 81% to just under £6.5 million. The principle component of income, the licence fees paid by companies carrying the FAIRTRADE Mark on their products, grew by 75% to over £4.6 million. This increase reflects the significant growth in the level of Fairtrade sales in the year.

Grant income rose significantly – increasing from £706,000 to just under £1.6 million. The majority of this increase arose from the first instalment of a major new grant from Comic Relief for the development of Fairtrade in Africa to support local people in their efforts to achieve sustainable development in their communities. The grant, the largest ever received by the Foundation, is for £5 million over 5 years. While the funding is initially received by the Foundation, the majority of the funding is subsequently passed on to FLOev and to the Africa Fairtrade Network. The Foundation also established a funding relationship with Impetus Trust who have initially awarded a grant of £100,000 over 18 months as core funding to assist the Foundation in the preparation of its new strategic plan. In addition Impetus secured pro bono assistance for the Foundation including OC&C strategy consultants.

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), European Commission, Oxfam, CAFOD, Christian Aid, The Four Acre Trust, and the Shell Foundation.

Donations and miscellaneous income decreased slightly, mainly from the one off sponsorship of £30,000 from Co-operative Group received during 2006. During 2007 the Foundation trialled raising funds directly from our individual supporter base. Although no major plan is in place to roll this out further, the Foundation is grateful for the financial commitment given by our supporters.

Resources expended increased from £3.1 million in 2006 to £4.8 million in 2007. The additional resources have been carefully aligned with the strategic direction of the charity with significant increase in funding allocated to certification operations, new product development and into producer network support.

Overall there were net incoming resources of £1,645,000 which led to an increase in total funds from £1,367,000 to £3,012,000. In addition, as explained in note 26, there has been a change in accounting treatment of fees payable to FLO, the result of which was to further increase reserves by £569,000. £527,000 of the increase in reserves arose on restricted funding, primarily in relation to the grant from Comic Relief, where funding was received by the Foundation, but had not, by the end of the year, being remitted on to FLOev and the Africa Fairtrade Network as reciprocal funding agreements were not fully in place. These were concluded in early 2008 and the funds remitted to the project partners. The net income on unrestricted funding is substantially higher than Trustees envisaged and partially arose from much higher licence fee income during the final two quarters of the year. The budget set by the Trustees for 2008 included longer term financial projections through to 2012 and the Trustees are seeking to see significant investment of resources over the next two years to ensure that the ambitious plans set out in "Tipping the Balance" can be achieved.

Investment Policy and Performance

The Memorandum of Association allows the Foundation to invest 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 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 investments is an appropriate way for the charity to hold these funds.

Risk Management

The Trustees undertake a regular review of risks facing the Fairtrade Foundation and it is an integral part of the operational management undertaken by the senior management team. The Trustees believe that through this process the full spectrum of risks faced by the charity has been identified, quantified and, where appropriate, action taken on a continuing basis to 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.

Reserves Policy

The Trustees review the reserves policy as a part of the overall risk management of the Foundation. The target level of unrestricted reserves is reviewed at regular intervals as part of the annual planning cycle. For each of the significant identified risks where there would be financial implications should that risk occur, the potential financial impact is considered together with the likelihood of that event occurring. Taking all these risks into consideration, the Trustees believe that the current appropriate range of unrestricted reserves for the Foundation is between £770,000 and £880,000.

Report of the Trustees

At 31 December 2007 the level of reserves (£2.9 million) was significantly above this target range and accordingly the Trustees have set a deficit budget for 2008 and subsequent years to invest this surplus in the future growth of Fairtrade in line with the newly agreed strategic plan. The Trustees will continue to review the appropriate level of reserves so that the Foundation continues to maintain the appropriate level of financial security required for the challenges of the years ahead.

Structure, Governance and Management

The Organisation of the Charity

The Foundation is a company limited by guarantee and a charity registered in England and Wales. It is governed by its Memorandum and Articles of Association as adopted on 2 July 1992 and subsequently amended on 25 January 1994, 20 May 2003, 15 July 2006 and 30 June 2007. The organisation was initially founded in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft Exchange, and the World Development Movement, with the National Federation of Women's Institutes joining shortly afterwards – these organisations are known collectively as the Founder Members. In 2003 membership was opened up to enable other organisations to participate in the governance of the Foundation and to share their expertise and experience with us. Organisations applying for membership are expected to have either a strong development or consumer focus, and to contribute to the promotion of Fairtrade, for example amongst their own supporters, and, when appropriate, to contribute financially. Since 2003 a total of nine organisations have joined as members, including two during 2007 – Soroptimist International of Great Britain and Ireland and Tearfund - a full list of member organisations is given on page 33.

Trustee Appointment and Induction

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

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

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

A key organisational goal for the last two years has been to strengthen the Foundation's links with producer groups and, following the appointment in 2006 of the first producer representative onto the Board a second producer representative, Merling Preza from Prodecoop in Nicaragua, was appointed in 2007.

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

Trustee Meetings and Board Sub Committees

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

- Setting and maintaining the Foundation's vision, mission and values and in particular agreeing and approving the strategic plan.
- Ensuring strong links with the member organisations and the Fair Trade movement.
- Contributing creatively to the development of the Foundation, including fostering relationships with major licensees.
- Developing the Foundation's policies on trade justice and other means of poverty reduction related to the Foundation's core activity.
- Agreeing and monitoring major policies and programmes (e.g. annual plans and budgets).
- Supporting and appraising the Executive Director, and approving staffing and remuneration policies.
- Reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes, that it is managing any risks correctly and taking any remedial action needed.

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

The Executive Committee consists of three 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 monitor the development and implementation of human resource strategies and policies
- To undertake the functions of a finance committee, including:
 - Reviewing drafts of financial policies, budgets and annual accounts before they go to the Board for formal approval.
 - To meet annually with the external auditors and to receive their management letter.
 - To authorise amendments to the budget in accordance with the overall budgetary authorities agreed by the Board.

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

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

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 of a Deputy Director, Head of Commercial Relations, Head of Communications, Head of Policy and Producer Relations, Head of Certification, and Head of Finance and Resources. During 2007 it was agreed to strengthen the senior management team by the creation of a new role of Managing Director. This new role will take lead responsibility on the internal management and delivery of organisational

Report of the Trustees

objectives allowing the Executive and Deputy Director's to focus on external stakeholder management and to drive the strategic direction of Fairtrade. This post was advertised and recruited to in April 2008.

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.

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a 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.

Acknowledgements

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

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 19th May 2008 and signed on their behalf.



Mike Gidney

Chair of the Board
The Fairtrade Foundation
19th May 2008

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 2007 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities the charity's trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Trustees are also directors of The Fairtrade Foundation for the purposes of company law.

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 whether the information given in the Trustees' Report is consistent with the financial statements. We also report to you if, in our opinion the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

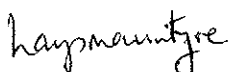
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2007 and of its incoming resources and application of resources in the year then ended, including its income and expenditure;
- the financial statements have been properly prepared in accordance with the Companies Act; and
- the information given in the Trustees report is consistent with the financial statements.



haysmacintyre
Registered Auditors

19th May 2008

Fairfax House
15 Fulwood Place
London
WC1V 6AY

The Fairtrade Foundation

Statement of Financial Activities for the year to 31 December 2007 (including Income and Expenditure Account)

		2007			2006
	Notes	Unrestricted £	Restricted £	Total £	Total £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Donations and miscellaneous income	2	113,679	2,606	116,285	135,284
Grants receivable	3 & 4	123,100	1,478,671	1,601,771	706,472
Interest received	5	31,584	500	32,084	23,640
<i>Incoming resources from charitable activities</i>					
Licence fees	6	4,644,184	-	4,644,184	2,648,374
Sale of promotional items	7	61,190	-	61,190	48,436
Total incoming resources		4,973,737	1,481,777	6,455,514	3,562,206
Resources expended					
Cost of generating voluntary income	8	115,468	26,100	141,568	112,893
<i>Charitable Expenditure</i>					
Certification, licensing product development and producer support	9	2,347,630	464,584	2,812,214	1,626,016
Public education and awareness	10	1,276,145	282,568	1,558,713	1,288,639
Total charitable expenditure		3,739,243	773,252	4,512,495	3,027,548
Governance costs	11	92,383	-	92,383	42,158
Governance costs – gift in kind	11	-	205,000	205,000	-
Total resources expended		3,831,626	978,252	4,809,878	3,069,706
Net income / (expenditure) before transfers	13	1,142,111	503,525	1,645,636	492,500
Transfers between funds		(23,378)	23,378	-	-
Net income / (expenditure) after transfers		1,118,733	526,903	1,645,636	492,500
Fund balances brought forward as previously reported		1,254,473	112,308	1,366,781	993,541
Prior year adjustment	26	569,304		569,304	450,044
Fund balances brought forward as restated		1,823,777	112,308	1,936,085	1,443,585
Fund balances carried forward	18-21	2,942,510	639,211	3,581,721	1,936,085

There were no recognised gains or losses for 2007 or 2006 other than those included in the Statement of Financial Activities. The Notes on pages 14 to 31 form part of these Financial Statements.

The Fairtrade Foundation

Balance Sheet as at 31 December 2007

	Notes	2007		2006	
		£	£	£	£
<i>Fixed assets</i>					
Tangible assets	15		85,541		98,745
Current assets					
Closing stock of promotional items		48,828		47,119	
Debtors	16	2,402,571		1,574,012	
Cash at bank and in hand		1,647,183		591,394	
		4,098,582		2,212,525	
Creditors					
Amounts falling due within one year	17	(602,402)		(375,185)	
Net current assets			3,496,180		1,837,340
Net assets			3,581,721		1,936,085
Funds					
Restricted funds	18	639,211		112,308	
Total restricted funds			639,211		112,308
Unrestricted – designated	19	268,541		168,745	
Unrestricted	20	2,673,969		1,655,032	
Total unrestricted funds			2,942,510		1,823,777
Total funds	21		3,581,721		1,936,085

The financial statements were approved and authorised for issue by the Board of Trustees on 19th May 2008 and were signed below on its behalf by



Mike Gidney
Chair of the Board

19th May 2008

The Notes on pages 14 to 31 form part of these Financial Statements.

The Fairtrade Foundation

Cash flow Statement

for the year to 31 December 2007

	Notes	2007		2006	
		£	£	£	£
Cash inflow/(outflow) from operating activities	22		1,057,709		(75,301)
Returns on investments and servicing of finance					
Interest received		<u>32,084</u>		<u>23,640</u>	
			32,084		23,640
Capital expenditure and financial investment					
Purchase of tangible fixed assets		<u>(34,004)</u>		<u>(98,005)</u>	
			(34,004)		(98,005)
Increase / (decrease) in cash in the year	22		1,055,789		(149,666)

The Fairtrade Foundation

Notes to the Financial Statements

for the year to 31 December 2007

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 January 2007), the Companies Act 1985 and *Accounting and Reporting by Charities: Statement of Recommended Practice* issued in March 2005.).

1.2 Company status

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

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

1.3 Fund accounting

Restricted funds arise from grants and donations given to the Foundation for specific areas and activities of the Foundation's work in furthering its objects 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

Donated services are included as a gift in kind under 'grants receivable' at their estimated value to the charity when received, and under the appropriate expenditure heading depending on the nature of the service provided, at the same value and time.

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 over 10,000 local events took place during Fairtrade Fortnight 2007. 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 2,500 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 and individual 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 include costs in order to ensure compliance with constitutional and statutory requirements, and in 2007, the costs of undertaking a major strategic review.

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 £45,476 (2006 - £29,886).

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

	2007 £	2006 £
Royalty income	10,154	9,543
Sponsorship	-	30,000
Triodos Bank Fairtrade Saver Account	33,419	27,076
Donations and miscellaneous income	72,712	68,665
Total	116,285	135,284

Royalty income represents royalties received in respect of sales of books which the Foundation has developed in conjunction with publishing companies.

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 Receivable

3.1 Unrestricted member grants

	2007 £	2006 £
Oxfam	25,000	25,000
CAFOD	15,000	18,000
Tearfund	5,000	-
Shared Interest Foundation	1,000	500
Soroptimist International of Great Britain and Ireland	100	-
Christian Aid	-	10,000
SCIAF	-	3,000
Total	46,100	56,500

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

	2007 £	2006 £
Impetus Trust	50,000	-
The Rufford Maurice Laing Foundation	20,000	20,000
The Beatrice Laing Trust	2,000	2,000
The SMB Trust	1,500	-
Tinsley Foundation	1,500	-
Mrs FB Laurence Charitable Trust	1,000	-
The Rainford Trust	1,000	-
The John Ellerman Foundation	-	20,000
Other grants under £1,000	-	1,500
Total	77,000	43,500
Total unrestricted	123,100	100,000

4 Restricted Grants

	2007	2006
	£	£
Public education and awareness projects		
<i>Fairtrade Schools (4.1.1)</i>		
DFID	104,266	16,412
Allan & Nesta Ferguson Trust	-	20,794
Blandford Lake Trust	-	1,000
Others	7,482	5,000
	111,748	43,206
<i>Fairtrade Towns and Faith Groups (4.1.2)</i>		
European Union	77,632	61,752
Methodist Relief and Development Fund	6,300	6,300
DFID	-	8,421
Others (under £1,000)	1,000	-
	84,932	76,473
<i>Fairtrade Future (4.1.3)</i>		
DFID	11,462	47,307
<i>Fairtrade Fortnight (4.1.4)</i>		
Shared Interest Foundation	5,000	5,100
Methodist Relief and Development Fund	-	5,000
United Reformed Church	-	2,000
Others (under £1,000)	1,400	2,100
	6,400	14,200
<i>Cotton promotion (4.1.5)</i>		
The Raphael Trust	1,000	1,000
<i>Trade Justice Movement Support Project (4.1.6)</i>		
CAFOD	-	5,000
<i>Other awareness grants</i>	-	1,000
Total public awareness and education	215,542	188,186

4 Restricted Grants – continued

	2007		2006	
	£	£	£	£
Business and product development				
<i>Fairtrade for development in Africa (4.1.7)</i>				
Comic Relief		707,537		-
<i>Fairtrade Future (4.1.3)</i>				
DFID		227,927		168,650
<i>Producer Liaison and Support (4.1.8)</i>				
Oxfam GB	45,000		25,838	
The Rufford Maurice Laing Foundation	20,000		20,000	
Four Acre Trust	17,725		17,725	
Plymouth & South West Coop Society	1,300		-	
Others (under £1,000)	2,700		-	
		86,725		63,563
<i>Enlarging the Fairtrade Product Range (4.1.9)</i>				
Shell Foundation	5,000		5,500	
Comic Relief	-		100,895	
CAFOD	-		5,000	
SMB Trust	-		1,500	
Stephen Clark 1965 Trust	-		1,000	
Others (under £1,000)	203		450	
		5,203		114,345
<i>Fairtrade at Work/Out of Home Project (4.1.10)</i>				
DFID	3,637		22,528	
The Fulmer Charitable Trust	1,000		-	
The Rooflight Company	-		10,000	
The Jane Hodge Foundation	-		2,000	
WF Southall Trust	-		2,000	
Others (under £1,000)	-		1,400	
		4,637		37,928
<i>Certification Inspector Training (4.1.11)</i>				
Four Acre Trust		-		5,000
Total business and product development		1,032,029		389,486
Fundraising				
<i>Fairtrade Future – DFID (4.1.3)</i>		26,100		28,800
Governance				
<i>Strategic review – OC&C Strategy Consultants (4.1.12)</i>		205,000		-
Total restricted grants		1,478,671		606,472

Notes to the Financial Statements

4.1 Explanatory Notes

4.1.1 Fairtrade Schools

The Fairtrade Schools project aims to build awareness of Fairtrade and its associated development issues by implementing a national 'Fairtrade status' award scheme for schools. The scheme will be conducted both regionally and UK wide from primary to sixth form level and will encourage a whole school approach to Fairtrade, involving all members of the school, visitors, the wider community and other local schemes. DFID is providing funding for 70% of the project.

4.1.2 Fairtrade Towns and Faith Groups Programme

This project is to support the growing grass roots movement of individuals and local organisations striving to make their towns and churches "Fairtrade" by achieving local goals on awareness and availability of Fairtrade. The programme is primarily funded by the European Commission with the faith element funded by the Methodist Relief and Development Fund. The funding from the European Commission also covers work in France and Belgium and a proportion of the funding received by the Foundation is passed on to Max Havelaar France and Max Havelaar Belgium.

4.1.3 Fairtrade Future

This grant from DFID of £750,000 runs for three years until March 2008. It 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 headings above, but comprise a single grant. Total expenditure against the grant during 2007 was £265,489 (2006 - £244,757).

4.1.4 Fairtrade Fortnight

Fairtrade Fortnight takes place in March each year and is the Foundation's main awareness campaign. Supermarkets, major development charities, churches, National Federation of Women's Institutes members and thousands of supporters around the country promote Fairtrade during this period. Grant funding was provided by the funders listed in Note 4 above.

4.1.5 Other Communications

Grants were received in the year from The Funding Network towards the promotion of Fairtrade certified cotton.

4.1.6 Trade Justice Movement Support

A grant from CAFOD was received in 2006 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.

4.1.7 Fairtrade for Development in Africa

The Fairtrade Foundation has been awarded a grant from Comic Relief of £5m over five years for the development of Fairtrade in Africa to support local people in their efforts to achieve sustainable development in their communities. The funding aims to contribute to the reduction of poverty in Africa by supporting more farmers and workers to come into Fairtrade, so improving their social and economic position. Existing Fairtrade producers will also benefit by being able to sell greater volumes into international Fairtrade markets. While the grant is received by the Foundation a substantial part will be passed on to FLOev and the Africa Fairtrade Network of producers.

4.1.8 Producer Liaison and Support

Oxfam GB provided funding to enable producers to fully participate in FLO's strategic review that commenced in 2007. Other funding has also 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.

4.1.9 Enlarging the Fairtrade Product Range

This range of projects are designed to develop new Fairtrade products to extend the reach of Fairtrade labelling to new producers in the developing world, and to investment in further development of existing products. During 2007 £5,000 was received from the Shell Foundation on completion of a review of the Fairtrade tea model commenced in 2006.

4.1.10 Fairtrade At Work/Out of Home Project

This project was 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. The DFID funded came to an end during 2007 and the programme is now incorporated within ongoing operations.

4.1.11 Certification Inspector Training

In 2006 Four Acre Trust 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 was disbursed via FLO-Cert.

4.1.12 Strategic Review

Through the funding relationship with Impetus Trust, a number of consultancies, principally OC&C Strategy Consultants Ltd, carried out consultancy work valued at £205,000 with respect to the Fairtrade strategic review. This work was performed on a *pro bono* basis, and has been accounted for as a gift in kind.

5 Interest Received

This is interest receivable on cash deposits. £500 was attributable to restricted funds held pending disbursement where the donor has requested that interest be credited to the restricted fund. (2006 - £2,000). The Foundation holds no other investments.

6 Licence Fees

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 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.

7 Sale of Promotional Items

To help promote Fairtrade, the Foundation sells a range of promotional items 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

These costs cover 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. In 2007 the Foundation began a programme of trialling fundraising from its individual supporters. A proportion of office services and occupancy costs are allocated to the activity.

	2007	2006
	£	£
Staff costs	80,400	63,116
Direct costs	20,462	13,366
Allocation of support costs	40,706	36,411
Total costs of generating funds	141,568	112,893

9 Certification, Licensing, Product Development and Producer Support 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.
- Support provided directly to producer groups and regional networks of producers.

	2007	2006
	£	£
Direct costs		
International fees paid to FLO eV*	667,415	445,080
International monitoring fees paid to FLO-Cert*	116,414	62,505
UK monitoring fees**	38,592	27,367
Other direct costs of monitoring	55,668	10,437
Licensing and marketing costs	70,107	101,138
Producer Network Support	91,362	-
New product and standard development	153,329	63,648
Total direct costs	1,192,885	710,175
Indirect costs		
Staff costs	1,067,587	586,953
Allocation of support costs	551,742	328,888
Total indirect costs	1,619,329	915,841
Total certification, licensing and product development	2,812,214	1,626,016

* £193,006 (2006 - £132,862) of the fees paid to FLO eV and £nil (2006 - £18,000) of the fees paid to FLO-Cert 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.

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.

	2007	2006
	£	£
<u>Direct costs</u>		
Fairtrade Fortnight	196,598	227,777
Promotional merchandise	117,173	101,291
Fair Comment newsletter	107,694	93,250
Fairtrade Towns and Faith Groups programme	96,920	70,795
Supporter materials and publications	85,940	37,046
Fairtrade Schools programme	78,759	10,270
Media costs	62,317	39,488
Website development	37,017	1,601
Advertising and events	29,510	15,153
Consumer surveys	7,540	10,756
Other communications costs	27,469	26,835
Total direct costs	846,937	634,262
<u>Indirect costs</u>		
Staff costs	470,393	417,438
Allocation of support costs	241,383	236,939
Total indirect costs	711,776	654,377
Total public education & awareness costs	1,558,713	1,288,639

Supporter Materials

Supporter materials includes £42,828 (2006 £ nil) in respect to the development costs of a book, "Fighting the Banana Wars and Other Fairtrade Battles", by Harriet Lamb and published in February 2008.

Fairtrade Fortnight

Fairtrade Fortnight, which takes place in the first two weeks of March each year, is the main focus of the Foundation's public awareness work. 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 £6,400 (2006 - £14,200) was provided by the funders listed in Note 4 above, of which £ 5,000 was utilised against the 2007 events, together with £7,500 of funding provided in 2006. The remaining £1,400 has been carried forward for 2008 costs.

Notes to the Financial Statements

The total direct expenditure in the year on Fairtrade Fortnight was £192,678 (2006 - £227,777) which is analysed below.

	2007 £	2006 £
Direct costs		
Materials	137,113	156,666
Events and advertisements	14,256	52,328
Producer visits	10,721	8,533
Other costs	30,588	10,250
Total direct costs	192,678	227,777
Funded by		
Direct grant support (see Note 4)	12,500	18,700
Unrestricted funding	180,178	209,077
Total direct costs	192,678	227,777

£131,988 (2006 - £114,862) of direct costs relating to Fairtrade Fortnight 2008 were incurred during the year. These have been treated as a prepayment (Note 16) and carried forward to 2008.

11 Governance

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

	2007 £	2006 £
Direct Costs		
Strategic Review	240,731	-
Trustee expenses	14,743	8,454
Audit fees	6,075	5,974
Board & AGM meeting costs	4,410	4,585
Legal fees	4,245	30
Board recruitment advertising	1,650	-
Total direct costs	271,854	19,043
Indirect costs		
Staff costs	17,304	15,223
Allocation of support costs	8,225	7,892
Total indirect costs	25,529	23,115
Total governance costs	297,383	42,158

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

Trustee expenses relate to travel expenses reimbursed for attendance at Board and sub committee meetings. £14,743 (2006 - £8,454) was reimbursed to 6 Trustees (2006 – five Trustees). The increase from 2006 is due to the appointment of a second trustee from a producer network during the year. The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

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.

	2007	2006
	£	£
Staff costs	230,584	157,712
Office rent	180,028	135,755
Information technology costs	87,515	43,032
Telephone, stationery, postage and photocopying	74,214	80,113
Staff recruitment	65,599	31,897
Depreciation	47,208	41,253
Staff training and development	38,854	21,629
Rates and other occupancy costs	47,595	46,561
Staff travel	19,343	8,920
Volunteer costs	17,956	23,712
Bank charges	5,354	2,023
Insurance	1,033	2,631
Other office costs	8,105	5,979
Other support costs	18,668	8,913
Total support costs	842,056	610,130
Allocated		
Certification, licensing and product development	551,742	328,888
Public education and awareness	241,383	236,939
Cost of generating funds	40,706	36,411
Governance	8,225	7,892
Total support costs	842,056	610,130

13 Net Income for the Period

Net income for the period is stated after charging.

	2007	2006
	£	£
Depreciation of fixed assets	47,208	41,253
Audit fees	6,075	5,974
Other services provided by auditors	1,000	-

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. £14,404(2006 - £8,454) was reimbursed to 6 Trustees (2006 – five Trustees). The increase from 2006 is due to the appointment in June 2006 and March 2007 of producer representatives to the Board of the Foundation. The Foundation meets the airfare, hotel and subsistence costs of the producer representatives when they attend Board meetings in the UK.

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

	2007	2006
	£	£
Wages and salaries	1,589,381	1,065,185
Social Security costs	166,498	111,870
Pension contributions	110,390	58,832
Agency staff	4,574	4,555
Staff costs	1,870,843	1,240,442
Staff recruitment costs	64,362	31,897

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

	2007	2006
Directorate	3	2
Commercial Relations	14	10
Certification	8	4
Communications	14	11
Policy and Producer Relations	9	4
Fundraising	2	2
Support and administration	6	5
Total	56	38

15 Tangible Fixed Assets

Office equipment, fixtures and fittings

	£	£
Cost at 1 January 2007		169,642
Add – additions	34,004	
Less – disposals	(3,100)	
At 31 December 2007		200,546
Depreciation at 1 January 2007		70,897
Less – accumulated depreciation on disposals	(3,100)	
Add - charge for period	47,208	
At 31 December 2007		115,005
Net book value at 1 January 2007		98,745
Net book value at 31 December 2007		85,541

16 Debtors due within one year

	2007	2006
	£	£
Licence fees *	1,840,743	1,193,693
Grants receivable	197,891	160,060
Prepayments in relation to Fairtrade Fortnight	131,988	114,862
Other income receivable	34,423	33,198
Deposit on premises	36,860	27,594
Other trade debtors	37,757	15,745
Loan to FLO-Cert	98,431	-
Other prepayments and sundry debtors	24,478	28,860
Total debtors due within one year	2,402,571	1,574,012

* Licence fees are invoiced in arrears once the licensee's quarterly returns have been received and verified. Fees invoiced in 2007 outstanding at the year end totalled £362,009 (2006 - £138,695) with the remaining £1,478,734 (2006 - £1,054,998) of the debtor balance, representing a provision for fees relating to 2007 sales to be invoiced during 2008.

17 Creditors – amounts falling due within one year

	2007	2006
	£	£
Trade creditors	208,322	160,497
Other creditors and accruals	137,953	118,378
VAT payable	201,749	58,429
Social Security and other taxes	54,378	37,881
Total creditors due within one year	602,402	375,185

18 Restricted Funds

	Balance at January 2007	Incoming	Outgoing	Transfer from Unrestricted	Balance at December 2007
	£	£	£	£	£
Public awareness and education					
<u>Fairtrade Towns</u>					
European Commission	12,444	78,132	(84,902)	-	5,674
DFID	-	-	-	-	-
Other	6,300	7,300	(12,782)	5,482	6,300
Total	18,744	85,432	(97,684)	5,482	11,974
Fairtrade Futures	-	11,462	(11,462)	-	-
<u>Fairtrade Schools</u>					
DFID	-	104,266	(104,266)	-	-
Other	19,290	7,482	(44,668)	17,896	-
Total	19,290	111,748	(148,934)	17,896	-
Fairtrade Fortnight	7,500	6,400	(12,500)	-	1,400
TJM Support	2,500	-	(2,500)	-	-
Database Development	14,168	-	(4,723)	-	9,445
Other	-	1,000	(1,000)	-	-
Sub total	62,202	216,042	(278,803)	23,378	22,819
Business and product development					
<u>Fairtrade for Development in Africa</u>					
Comic Relief	-	707,537	(96,232)	-	611,305
Fairtrade Futures	-	227,927	(227,927)	-	-
<u>Expanding the Fairtrade Product Range</u>					
Comic Relief	29,906	-	(29,906)	-	-
Other	200	7,809	(6,922)	-	1,087
Total	30,106	7,809	(36,828)	-	1,087
Producer Liaison and Support	20,000	86,725	(102,725)	-	4,000
<u>Fairtrade at Work/Out of Home</u>					
<u>Project</u>					
DFID	-	3,637	(3,637)	-	-
Other	-	1,000	(1,000)	-	-
Total	-	4,637	(4,637)	-	-
Sub total	50,106	1,034,635	(468,349)	-	616,392
Fundraising					
Fairtrade Futures	-	26,100	(26,100)	-	-
Governance					
Strategic review	-	205,000	(205,000)	-	-
Total restricted	112,308	1,481,777	(978,252)	23,378	639,211

19 Designated Funds

	Balance at January 2007 £	Used in year £	New allocations £	Balance at December 2007 £
Office relocation and expansion	70,000	-	113,000	183,000
Non-cash assets	98,745	(47,208)	34,004	85,541
Total designated funds	168,745	(47,208)	147,004	268,541

Office relocation / expansion fund

In late 2007 the Trustees authorised the commencement of a search for new office accommodation to provide suitable and sufficient space to cope with the continual growth of the organisation. The reserve is set aside to fund work involved in an office move 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 reviewed these risks in December 2007 at the same time as considering the 2008 budget and the strategic plan for 2008 to 2012. The Trustees estimate of the appropriate range for these reserves at that date was between £770,000 and £880,000. At December 2007 the reserves are significantly above this level and the budget approved by the Board involves the investment of these reserves during 2008 and 2009. The budget also involved a number of key variables which all have the possibility of significantly altering the financial position of the Foundation and these will be monitored during 2008.

21 Analysis of Fund Balances held on 31 December 2007

	Unrestricted £	Designated £	Restricted £	Total £
Tangible fixed assets	-	85,541	-	85,541
Current assets	3,258,142	183,000	657,440	4,098,582
Current liabilities	(584,173)		(18,229)	(602,402)
Fund balances at 31 December	2,673,969	268,541	639,211	3,581,721

22 Cash Flow information

Reconciliation of net income /(expenditure) to operating cash flow		
	2007	2006
	£	£
Net income/(expenditure)	1,645,636	492,500
Interest receivable	(32,084)	(23,640)
Depreciation charge	47,208	41,253
Decrease/(increase) in stocks	(1,709)	(30,376)
Decrease/(increase) in debtors	(828,559)	(652,216)
Increase/(decrease) in creditors and provisions	227,217	97,178
Net cash flow from operations	1,057,709	(75,301)

Analysis of net funds			
	Balance at January 2007	Cashflow movement	Balance at December 2007
	£	£	£
Cash at bank and in hand	591,394	1,055,789	1,647,183
Net funds	591,394	1,055,789	1,647,183
Restricted net funds	112,308	347,241	459,549
Designated net funds	70,000	113,000	183,000
Unrestricted net funds	409,086	595,548	1,004,634
Net funds	591,394	1,055,789	1,647,183

23 Financial Commitments under Operating Leases

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

	2007	2006
	£	£
Land & buildings		
Expiry date within 1 year	49,619	80,000
Expiry date between 1 and 2 years	103,845	49,619
Total	153,464	129,619

24 Share Capital

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

25 Related Parties

The Fairtrade Foundation is one of the 21 National Labelling Initiatives that are members of Fairtrade Labelling Organisation ev, 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. As a National Labelling Initiative the Fairtrade Foundation pays membership fees to FLOev and FLO Cert and also sources external funds for FLO's work from third party donors. Details of the fees paid to FLOev and FLO Cert are given in note 9.

As explained in the Structure, Governance and Management section of the Trustees' report, up to eight Trustees are appointed by the members of the Fairtrade Foundation. Two Trustees, Rosemary Byrde and Mike Gidney are employees of member organisations (Oxfam and Traidcraft Exchange respectively). Oxfam provided grant support to the Foundation in the course of the year, details of which are provided in notes 3 and 4. Traidcraft Exchange is a subsidiary company of Traidcraft plc a licensee company of the Fairtrade Foundation which pays licence fees on the sales of Fairtrade marked products.

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

One of the Trustees, Nabs Suma, is also a director of FLO Cert, the organisation responsible for producer and trader certification. Details of the fees paid to FLOev and FLO Cert are given in note 9.

26 Prior Year Adjustments

During 2007 the Foundation changed its accounting treatment in respect of the recognition of membership fees due to FLOev and FLO Cert following a change by FLO in the way in which fees for Labelling Initiatives such as The Fairtrade Foundation are calculated. This change required Labelling Initiatives to contribute fees to FLO on the basis of sales of FAIRTRADE marked products in the year of their sale whereas this had previously been a year in arrears. This removed the need for the Foundation to accrue fees due to FLO at the end of the financial period.

This note sets out the impact of the adjustments on the financial statements

Statement of Financial Activities for the year to 31 December 2006

	As previously reported	Adjustments	As restated
	Total	Total	Total
	£	£	£
Resources expended			
Cost of generating voluntary income	112,893	-	112,893
Charitable expenditure	3,033,915	(119,260)	2,914,655
Governance costs	42,158	-	42,158
Total Resources expended	3,188,966	(119,260)	3,069,706
Net income	373,240	119,260	492,500
Fund balances brought forward	993,541	450,044	1,443,585
Fund balances carried forward	1,366,781	569,304	1,936,085

Notes to the Financial Statements

Balance Sheet as at 31 December 2006

	As previously reported Total £	Adjustments Total £	As restated Total £
Creditors			
Amounts falling due within one year	(944,489)	569,304	(375,185)
Net current assets	1,268,036	569,304	1,837,340
Net assets	1,366,781	569,304	1,936,085
Funds			
Total restricted funds	112,308	-	112,308
Unrestricted – designated	168,745	-	168,745
Unrestricted	1,085,728	569,304	1,655,032
Total unrestricted funds	1,254,473	569,304	1,823,777
Total funds	1,366,781	569,304	1,936,085

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 * **	
David Clayton-Smith	Appointed 16 August 2007
Mike Gidney * (Chair)	
Lynne Gregory ACA (Treasurer) *	
Silver Kasoro Atwoki	
Janice Langley **	
Ed Mayo	
Sue Osborne	Resigned 22 November 2007
Merling Preza	Appointed 16 March 2007
Bert Schouwenburg	
Nabilai Suma	

* Member of Executive Committee

** Member of Certification Committee

Senior Management

Harriet Lamb CBE	(Director)
Ian Bretman	(Deputy Director)
David Lowbridge	(Managing Director)
Barbara Crowther	(Head of Communications)
Chris Davis	(Head of Policy and Producer Relations)
Martin Hill	(Head of Commercial Relations)
Ron Hinsley	(Head of Certification)
Martin Tyler	(Head of Finance and Resources)

Company Secretary

Martin Tyler

Reference And Administrative Information

Member Organisations

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

indicates founder member status

Bankers

CafCash Ltd
Kings Hill
West Malling
Kent
ME19 4TA

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

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

haysmacintyre
Fairfax House
15 Fulwood Place
London WC1V 6AY