

The Forest Trust (a company limited by guarantee)

# The Forest Trust

**(A company limited by guarantee)**

**Registered Number 3842323**

**Charity Number 1114277**

# Annual Report

**For the year ending 31 December 2018**

The Forest Trust (a company limited by guarantee)

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## **Directors and advisors**

The trustee directors who were in office during the year and up to the date of signing the financial statements were:

### **Directors**

Andrew Hewett (Chairman), appointed 23 June 2009

Saskia Luutsche Ozinga, appointed 23 May 2013

Michel Troussier, appointed 22 Jan 2009

### **CEO**

Bastien Sachet, appointed 1 Jan 2016

### **Registered office**

The Pavilion

Botleigh Grange Business Park

Hedge End

Southampton S030 2AF

### **Independent auditors**

PricewaterhouseCoopers LLP

The Maurice Wilkes Building

St. John's Innovation Park

Cowley Road

Cambridge

CB4 0DS

### **Legal adviser**

Trethowans

The Pavilion

Botleigh Grange Business Park

Hedge End

Southampton S030 2AF

## Strategic report for the year ended 31 December 2018

TFT has created a model of action to change the way companies interact with nature. It firmly believes deforestation and exploitation must be fought directly — that is in forests, plantations and factories around the world. This is why the majority of TFT's 200 plus staff work on the ground in what is now more than 20 countries. TFT's incoming resources in 2018 decreased to US\$17.3m, US\$821,172 below the 2017 figures, leaving it with a reserve of US\$7,624,223.

TFT is organised into three key teams:

### Field Programme Team

Works on the ground around the world, in forests, plantations, quarries, mills and factories, to implement our member and partner projects. This group represents the vast majority of TFT staff and is comprised of foresters, agronomists and social experts who monitor the supply chains of our members and deliver on our donor priorities. They also share their local and regional knowledge through practical workshops and field training sessions.

### The Field Support Team

Responsible for designing, implementing and supporting field projects which develop and demonstrate techniques for helping companies source their products more responsibly. Composed of project managers, financial and human resources specialists, communication and business development teams, our field support staff work to ensure the field team are in the best position to focus on extending TFT's positive impacts on land management and responsible supply chains.

### The Member Support Team

Helps TFT's partners to understand requirements for sourcing products responsibly. They work closely with members to ensure they are delivering against their commitment to change their supply chains. They also act as a point of liaison with donors to ensure funds are invested effectively, and outputs communicated in a timely and digestible way. The team also communicates progress on the projects they support and in the chain of custody that supply their factories and stores.

### Principal risks and uncertainties

TFT's senior team and trustees closely monitor key risks for the organisation. TFT has developed systems to monitor and control these risks and mitigate any significant impact they may have. Major risks and measures taken are recapitulated in an annual report validated by the trustees.

The top risks reported are:

- Inability to deliver a sustainable financial position
- Critical and sudden impact on reputation and brand leading to reduction of funding
- Increased technological development and dependency

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Strategic Report for the year ended 31 December 2018 (*continued*)

### **Financial risk management policy**

Operating around the world, TFT is exposed to foreign currency fluctuations. To minimise risk, TFT continuously seeks to match the currency of income and expenditure. To further reduce the risk, the focus will continue to be to increase our USD cash reserve, our reporting currency, instead of Swiss Franc.

Working with a large number of members and partners, our key teams are closely involved in ensuring all receivables are collected within the period of our payment conditions.

The business review and future developments of the Charity are presented in the Directors' Report, which follows.

Approved by the board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'A Hewett', is positioned above the printed name.

**Andrew Hewett**

Chairman

## Chairman's report for the year ended 31 December 2018

Although we are now twenty years old, 2018 was the final year for most of our organisation as a UK Charity, a status from which we take great pride and responsibility. As a UK Charity, The Forest Trust (TFT) has grown strongly, both geographically and across multiple commodities, dealing with social challenges and finding innovative solutions. The Board has spent much time looking for the most logical home for our future plans and where best to be headquartered. We are a value driven organisation with a desire to have a growing positive impact between people and nature. We find ourselves increasingly involved in mediating between businesses, environmental groups, governments, farmers, local inhabitants and society in general. Our strong desire to retain our non-profit status together with our talented global resources and in particular at our Swiss headquarters in Nyon, meant a Swiss Foundation status was by far the best solution for us to deliver our future plans. After much hard work this was achieved in January 2019, with TFT transferring most of its assets, intellectual property, knowledge and staff to Earthworm Foundation, a newly formed Swiss Foundation specifically set up to continue to deliver the strategy created by TFT. TFT will continue to operate in a much smaller form in the UK and will also monitor the activities of Earthworm Foundation to ensure it continues to deliver the vision of The Forest Trust.

As always, on behalf of the Board, I would like to thank all of our talented people for their efforts in 2018 and fully expect their excellent work to continue within Earthworm Foundation. I send the same message to our members, who we continue with on a journey to identify and tackle challenges deep within their supply chains, to ensure their values are driving their decisions. These challenges are associated with commodities and raw materials, like palm oil, which are in many of the products and foods we buy every day – another reminder, if necessary, that we are all linked to the issues we are working so hard to find solutions to.

I would also like to express my thanks and, I am sure, the thanks of everyone else who has been involved with TFT in the last 20 years, to two individuals. Firstly, to Brent Wilkinson, who has chaired the TFT since 2008 and guided it through many difficult times to a position where it is a strong and respected organisation. Brent moved to Earthworm Foundation on January 1, 2019 to become its first Chairman and will be retiring from that role on September 17, 2019. And finally, to Scott Poynton, who as Founder and Executive Director has been the heart, soul and moral guide of TFT since its formation back in 2009. Without Scott the TFT simply wouldn't exist. Scott will also be stepping down from Earthworm Foundation on 31 August, 2019 and will be greatly missed by everyone.



**Andrew Hewett**  
Chairman

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## **Directors' Report for the year ended 31 December 2018**

The Directors, who act as Trustees for charitable purposes, present their report and the audited financial statements for the year ended 31 December 2018. The information with respect to Directors and advisors set out on page three forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective January 2015).

Some requirements of the Directors' Report have been presented within the Strategic Report and the Chairman's Report on the previous pages.

### **Principal activities**

TFT is a charity registered with the Charity Commission for England and Wales (Registration No. 1114277). It is also a company limited by guarantee registered in England and Wales (Registration No. 3842323). It was founded in 1999 and was formerly known as Tropical Forest Trust. Its objects and powers are set out in its Memorandum and Articles of Association.

TFT transforms supply chains for people and nature. Located between the two worlds of business and nature, it works out in the field and negotiates in the boardroom to help companies and communities bring about change. TFT is using this approach in a range of raw materials, like palm oil, pulp and paper, stone, charcoal, wood and sugar. Negotiating in the boardroom and working on the ground, side-by-side with our members, TFT's teams find practical and entrepreneurial ways of changing the way products are sourced, made and brought to customers.

### **TFT Highlights in 2018**

Having already launched Starling with Airbus and SarVision in 2017, with the aim of using the innovative satellite service to enable companies to demonstrate how they are implementing their 'No Deforestation' commitments, TFT then supported Nestlé to use it. In 2018, Nestlé announced it would use Starling to monitor 100% of its palm oil supply chain.

Our field teams used Starling to discover the drivers of deforestation within Nestlé's supply chain in one of the most biodiverse areas of Mexico. It was known that forests were disappearing, just not how. Starling provided a detailed understanding of past and present land use in the region. Next, our teams will be embarking on a landscape-scale participatory forest identification process – the first of its kind in Mexico – to determine where to focus conservation efforts.

Our field teams have also used Starling in Ivory Coast, the world's leading cocoa producer. Until recently, the Ivorian government's forestry agency SODEFOR faced challenges monitoring forest areas from the air; with forest often cleared only after cocoa crops had matured and needed more sunlight. Therefore, deforestation was identified after it happened.

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Directors' report for the year ended 31 December 2018 (continued)

With Starling able to penetrate the forest canopy, our teams were able to capture a base map of the forest and detect any tree canopy disturbance. The speed at which this was done made quick and direct action possible, resulting in a 60 percent drop in the deforestation rate between April and July of 2018.

2018 also marked 10 years since the inception of the Centre of Social Excellence (CSE). Launched in Africa in 2008, CSE was designed to offer training to close the gap between social management practices in the region and the responsible sourcing commitments of companies that use African commodities. It has since expanded to Indonesia and Brazil, with more than 266 people from 11 countries being trained, with CSE Alumni are estimated to impact the management of 7 million hectares, including 700 communities and over 200,000 people.

TFT further expanded its work in improving soil health, working with potato farmers in Santerre, France, to adopt more organic ways of farming. And after several years of work on the ground with 2,000 farmers in the Indian states of Haryana and Punjab, we are now seeking to scale up impact with more farmers across the country through Mitti Bole, an initiative launched in November 2018, which translates as: soil speaks.

The charcoal team continued its analysis of the charcoal on sale in UK, German, French, Belgium and Polish markets, to discover the charcoal's true origin, which isn't always labelled on bags, yet often found to be from tropical countries, which have links to deforestation.

While work with French retailers on palm oil and charcoal served as the doorway to work in oceans. Since 2016, it has been working with retailers such as E.Leclerc, Les Mousquetaires and Casino, focussing on key species in their supply chains such as tuna, salmon and trout. In addition to supply chain analysis, TFT is working to find collaborative solutions with businesses that raise awareness and improve standards. By acting as a facilitator between market and field initiatives, it aims to positively impact marine resources and the people dependent on them.

### **Future Development**

As of 2019 TFT will continue to operate as TFT in the UK, but it will do so an affiliate of Earthworm Foundation. The majority of trade and assets of TFT were transferred to Earthworm Foundation after the year end, as described in note 21.

### **Results for the year**

The statement of financial activities shows a net decrease in funds of US\$1,012,837 (2017: increase of US\$1,255,192).

### **Reserves policy**

As of 31 December 2018, TFT had net reserves of US\$7,624,223 (2017: US\$8,637,060). Reserves are held to fund the operations of the charity. At the end of 2018 a cash reserve equivalent of three months of operational cost had been achieved, in line with the Board's objective. Efforts will now be made to increase this buffer to six months of operational cost. This policy is reviewed annually. These reserves would be used to ensure the organisation can operate in times of substantial income

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Directors' report for the year ended 31 December 2018 (continued)

### **Dividends**

As a charitable organisation and a company limited by guarantee, there will be no payment of a dividend.

### **Governance of the charity**

The Board of TFT comprises of 6 unpaid trustees, as listed below (who are also the directors of TFT for the purpose of company law). The board is responsible for setting policy, agreeing strategy and approving major commitments based on advice from senior management, and the appointment of the chief executive. Day-to-day operations are delegated by the Board to the Chief Executive, who leads the Senior Management team. In 2018, Board meetings were held in February, May and September.

The following individuals were directors during the year:

Brent Wilkinson, resigned December 20, 2018

Andrew Hewett

Eric Bouchet, resigned December 20, 2018

Saskia Luutsche Ozinga

David Roth, resigned December 20, 2018

Michel Troussier

### **Public Benefit**

The Board has referred to the guidance in the Charity Commission's general guidance on Public Benefit when reviewing their aims and objectives and in planning future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set.

### **Charitable status**

The company has been granted relief from Corporation Tax under Section 478 (onwards) of the Corporation Taxes Act 2010.

### **Risk management**

The Board recognises the need to develop sound systems of internal risk control and to implement effective risk management across the organisation and its operations. Risk issues – both internal and external - are discussed at each Board meeting and strategies are enacted to mitigate those risks.

### **Statement of Trustees' responsibilities**

The trustees (who are also directors of The Forest Trust for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law

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the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application

Directors' report for the year ended 31 December 2018 (*continued*)

of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Auditors and disclosure of information to auditors**

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

Approved by the board and signed on its behalf by Andrew Hewett



**Chairman**

The Forest Trust (a company limited by guarantee)

## ***Independent auditors' report to the members of The Forest Trust***

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, The Forest Trust's financial statements (the "financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of financial activities (incorporating an income and expenditure account), and statement of cash flow for the year then ended; and the notes to the financial statements.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charitable company's ability to continue as a going concern.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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## ***Independent auditors' report to the members of The Forest Trust (continued)***

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit the information given in the Strategic Report and Directors' Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and Directors' Report. We have nothing to report in this respect.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the trustees for the financial statements*

As explained more fully in the Statement of Trustees' Responsibilities (Trustees who are also directors of The Forest Trust for the purpose of the Company law) set out on page 9, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Simon Ormiston (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
25<sup>th</sup> September 2019

***Statement of financial activities (incorporating an income and expenditure account) for the year ended 31 December 2018***

	<b>Note</b>	<b>Unrestricted funds 2018 US\$</b>	<b>Restricted funds 2018 US\$</b>	<b>Total funds 2018 US\$</b>	<b>Total funds 2017 US\$</b>
<b>Incoming resources</b>					
Member contributions		<b>16,055,925</b>		<b>16,055,925</b>	16,752,106
Grants received			<b>1,281,306</b>	<b>1,281,306</b>	1,309,725
Investment income:					
Other incoming resources		<b>13,290</b>		<b>13,290</b>	109,862
<b>Total incoming resources</b>		<b>16,069,215</b>	<b>1,281,306</b>	<b>17,350,521</b>	18,171,693
<b>Resources expended</b>					
Expenditure on raising funds:					
Fundraising costs	3	<b>1,055,414</b>	<b>83,112</b>	<b>1,138,526</b>	995,731
Marketing and publicity	4	<b>1,160,925</b>	<b>91,421</b>	<b>1,252,346</b>	1,521,387
		<b>2,216,339</b>	<b>174,533</b>	<b>2,390,872</b>	2,517,118
Charitable activities	5	<b>15,170,257</b>	<b>802,229</b>	<b>15,972,486</b>	14,399,383
<b>Total resources expended</b>		<b>17,386,596</b>	<b>976,762</b>	<b>18,363,358</b>	16,916,501
<b>Net comprehensive income for the year</b>	6	<b>(1,317,381)</b>	<b>304,544</b>	<b>(1,012,837)</b>	1,255,192
<b>Net movement in funds</b>		<b>(1,317,381)</b>	<b>304,544</b>	<b>(1,012,837)</b>	1,255,192
Fund balances brought forward at 1 January		<b>8,437,273</b>	<b>199,787</b>	<b>8,637,060</b>	7,381,868
<b>Fund balances carried forward at 31 December</b>		<b>7,119,892</b>	<b>504,331</b>	<b>7,624,223</b>	8,637,060

All incoming resources and resources expended are derived from continuing activities. There are no other forms of comprehensive income. The notes on pages 16 to 27 form part of these financial statements.

## Balance sheet as at 31 December 2018

	Note	2018 US\$	2017 US\$
<b>Fixed assets</b>			
Intangible assets	9	<b>24,857</b>	24,631
Tangible assets	10	<b>164,798</b>	217,868
<b>Total Fixed assets</b>		<b>189,655</b>	242,499
<b>Current assets</b>			
Debtors	11	<b>4,829,894</b>	5,454,283
Cash at bank and in hand		<b>6,223,191</b>	6,164,322
<b>Total current assets</b>		<b>11,053,085</b>	11,618,605
<b>Creditors: Amounts falling due within one year</b>	12	<b>(3,618,517)</b>	(3,224,044)
<b>Net current assets</b>		<b>7,434,568</b>	8,394,561
<b>Total assets less current liabilities</b>		<b>7,624,223</b>	8,637,060
<b>Net assets</b>		<b>7,624,223</b>	8,637,060
<b>The funds of the charity</b>			
Total income fund	15	<b>7,624,223</b>	8,637,060
<b>Total charity funds</b>		<b>7,624,223</b>	8,637,060

The financial statements and associated notes were approved, and authorised for issue, by the Board on September 25 , 2019 and signed on its behalf by:



**Andrew Hewett**  
Chairman

**Registered Number 3842323**  
**Charity Number 1114277**

## Statement of Cash Flow for the year ended 31 December 2018

	Note	2018 US\$	2017 US\$
<b>Operating expenses</b>			
Net cash inflow from operating activities	17	<b>479,695</b>	674,144
<b>Investing:</b>			
Interest income		<b>2,239</b>	1,778
Purchase of tangible fixed assets		<b>(82,585)</b>	(49,226)
Purchase of intangible fixed assets		<b>(20,111)</b>	(6,301)
Inflows from disposal (selling) of fixed asset		<b>306</b>	
<b>Net Cash outflow from investing</b>		<b>(100,151)</b>	(53,749)
<b>Increase in cash and cash equivalents in the year</b>	17	<b>379,544</b>	620,395
Cash and cash equivalents at the beginning of the year		<b>6,164,322</b>	5,477,461
Effects of exchange rates		<b>(320,675)</b>	66,466
<b>Cash and cash equivalents at the end of the year</b>		<b>6,223,191</b>	6,164,322

## **Notes to the financial statements for the year ended 31 December 2018**

### **1. Principal accounting policies**

#### **General information**

The Forest Trust is engaged in the transformation of supply chains for people and nature. TFT is a Public Benefit Entity registered with the Charity Commission under number 1114277 and as such is a non-profit making organisation and private company (3842323), limited by guarantee and is incorporated in England and Wales. The address of its registered office is The Pavilion, Botleigh Grange Business Park, Hedge End, Southampton SO30 2AF.

#### **Basis of accounting**

The financial statements of The Forest Trust have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Companies Act 2006, the Charities Act 2011, and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" effective from January 2015 and have been prepared on a going concern basis.

#### **Going concern**

The Forest Trust produces annual budgets and forecasts which take into account expected changes in the funding stream and which demonstrate that the charity will be able to continue to operate for the foreseeable future. Due to secured funding the Trustees have reasonable expectation that the charity has adequate resources to continue in operational existence in the short to medium term. On this basis, the Trustees consider it appropriate to continue to prepare the financial statements on the going concern basis.

#### **Restricted funds**

Restricted funds are funds which are earmarked by the donor for specific purposes. Such purposes are within the overall aims of the organisation. These funds may be income only (where the capital must be retained) or income and capital (where the grant and income deriving there from may be utilised).

#### **Accruals basis**

The financial statements are prepared on an accrual basis with the exception of grants which are recognised when the entitlement to the funds occurs and any performance conditions attached to the grant are met in line with the requirement of Charities SORP.

Notes to the financial statements for the year ended 31 December 2018 (*continued*)

### **Incoming resources**

Voluntary income including member contributions, gifts and legacies and grants that provide core funding or are of a general nature are recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met and it is probable that the income will be received and the amount can be measured reliably.

### **Grants**

Income from government and other grants is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

### **Resources expended**

Direct charitable expenditure in relation to the operation of the activities of the charitable company is accounted for separately from any cost in respect of fundraising and publicity.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charity. They are allocated to the restricted/unrestricted funds in equal proportion with the allocation of the total restricted/unrestricted resources received.

The costs of marketing and publicity relate to general marketing and publicity of the charity as well as specific activities, including publicity and awareness material on initiatives such as Rurality and CSE.

Direct charitable expenditure is those costs incurred directly in support of expenditure on the activities of the charity. Governance costs represents salaries, direct expenditure and overhead costs incurred on the strategic, as opposed to day-to-day management of the charity and on compliance with constitutional and statutory requirements.

### **Tangible fixed assets**

#### *Capitalisation*

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition. Any with a cost below \$1,000 are not capitalised.

#### *Depreciation*

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. Assets are depreciated over three years on a straight line basis depending on the nature of the asset.

Computer and other IT equipment	3 years
Furniture, fixtures & fittings	5 years

Notes to the financial statements for the year ended 31 December 2018 *(continued)*

### **Intangible fixed assets**

#### *Capitalisation*

Intangible assets represent the capitalised costs relating to the financial computer software.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### *Amortisation*

Computer software development costs recognised as assets are amortised over their estimated useful lives, either six or seven years.

Costs amortised relate to the charity's accounting software.

### **Impairment of fixed assets**

A review of impairment of a fixed assets is carried out annually. It takes into consideration if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

### **Foreign currencies**

Trading transactions denominated in foreign currencies are translated into US dollars at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the balance sheet date.

### **Deferred income**

Deferred income represents that portion of income that has been billed to members in advance of the period that the payment relates to, where the period the payment relates to is after the year end.

### **Accrued Income**

Accrued income represents income recognised for work performed that was unbilled at the year end. It is accounted for on the basis of work performed that remains unbilled, or in line with contracted agreements with Members. Investment income is recognised on a receivable basis.

### **Operating leases**

Rental under operating leases are charged on a straight-line basis over the lease term.

Notes to the financial statements for the year ended 31 December 2018 *(continued)*

### **Pension costs**

The company pays into three defined contribution schemes on behalf of its employees, the costs of which are included in the SoFA in the year in which they are paid. There are no amounts prepaid or outstanding in relation to the pension schemes at year end (2017:\$nil).

### **2. Critical accounting judgements and estimation uncertainties**

In the application of the charity's accounting policies, the Trustee representatives are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Other areas of estimation are addressed below.

#### **Impairment of receivables:**

The Company makes an estimate of the recoverable value of debtors. When assessing impairment of receivables, management consider factors including the ageing profile of receivables and historical experiences.

#### **Recognition of grant income:**

The Company exercises judgement in the recognition of grant income. When determining the timing of recognition of grant income, management consider factors including the entitlement to the funds and the nature of performance conditions attached to the grants. Grants which simply restrict the use of a funds advanced without affecting entitlement to the grant are recognised when there is evidence of entitlement receipt is probable and its amount can be measured reliably. Grant funding agreements with conditions that specify the services to be performed are recognised when entitlement to the grant occurs, i.e. as the performance conditions are met.

### **3. Fundraising costs**

As fundraising efforts are undertaken to obtain additional income from all sources, fundraising cost are allocated to the restricted/unrestricted funds in equal proportion with the allocation of the total restricted/unrestricted resources received.

Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 4. Marketing and publicity

	<b>2018</b>	2017
	<b>US\$</b>	US\$
Marketing	<b>1,229,357</b>	1,485,475
Publications	<b>22,989</b>	35,912
<b>Total</b>	<b>1,252,346</b>	1,521,387

As marketing and publicity campaigns are generally intended to benefit all donors, marketing and publicity costs are allocated to the restricted/unrestricted funds in equal proportion with the repartition of the total restricted/unrestricted resources received.

#### 5. Charitable activities

	<b>2018</b>	2017
	<b>US\$</b>	US\$
Salaries and social costs	<b>7,006,517</b>	6,289,406
External consultants	<b>887,718</b>	616,235
Governance costs	<b>5,200,566</b>	5,088,632
Operating costs	<b>2,877,685</b>	2,405,110
<b>Total</b>	<b>15,972,486</b>	14,399,383

#### 6. Net income for the year

The balance transferred to the general unrestricted funds and the restricted fund for the year is stated after charging depreciation and amortisation of US\$153,760 (2017: US\$ 156,500). Fees to the auditors for the statutory audit amounted to US\$37,000 (2017: US\$36,000) and non-audit fees amounted to US\$Nil (2017: US\$Nil). The operating lease charge for 2018 is US\$621,560 (2017: US\$549,299). The operating lease charge covers office rentals.

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 7. Employee information

The average monthly number of persons employed by the company during the year was:

By location	2018 Number	2017 Number
Head office	74	70
SE Asia	127	149
Africa	25	28
Latin America	17	12
<b>Total</b>	<b>243</b>	<b>259</b>

Staff costs (for the persons above)	2018 US\$	2017 US\$
Wages and salaries	11,442,491	9,933,432
Social security costs	1,028,222	917,391
Other pension costs	514,409	493,752
<b>Total</b>	<b>12,985,122</b>	<b>11,344,575</b>

No directors received any remuneration from the charity during the year (2017: none). US\$2,989 (2017: US\$1,464) of expenses was reimbursed to 3 directors (2017: 1 director) during the year. They received reimbursements of expenses for travel and subsistence costs in connection with their responsibilities as Trustees of the Charity.

The aggregate emoluments of the highest paid employees were:

Aggregate emoluments per annum – Key Management	2018 Number	2017 Number
Between US\$140,000 and US\$149,999	1	1
Between US\$150,000 and US\$159,999	2	1
Between US\$160,000 and US\$169,999	1	1
Between US\$170,000 and US\$179,999	1	1
Between US\$180,000 and US\$189,999	1	1
Between US\$260,000 and US\$269,999		1
Between US\$270,000 and US\$279,999	1	
Between US\$350,000 and US\$359,999	1	1

The key management personnel of the charity are 6 members of the Global Leadership Team, the Chief Executive Officer and the Founder. The total employee benefits of the group was \$1,607,302 (2017 \$1,454,600).

Notes to the financial statements for the year ended 31 December 2018 (continued)

<b>Aggregate emoluments per annum – other Staff</b>	<b>2018 Number</b>	<b>2017 Number</b>
Between US\$90,000 and US\$99,999	<b>6</b>	3
Between US\$100,000 and US\$109,999	<b>2</b>	2
Between US\$110,000 and US\$119,999	<b>3</b>	2
Between USD\$120,000 and USD\$129,999	<b>2</b>	0
Between USD\$130,000 and USD\$139,999	<b>2</b>	3
Between USD\$180,000 and USD\$189,999	<b>0</b>	1

## 8. Taxation

HM Revenue and Customs in the UK has previously accepted charitable status of the company and has granted relief from corporation tax under Section 478 of the Corporation Taxes Act 2010.

## 9. Intangible assets

	<b>Computer Software US\$</b>	<b>Assets Under Construction US\$</b>	<b>Total US\$</b>
<b>Cost</b>			
At 1 January 2018	835,318		835,318
Additions		20,111	20,111
<b>At 31 December 2018</b>	<b>835,318</b>	<b>20,111</b>	<b>855,429</b>
<b>Accumulated amortisation</b>			
At 1 January 2018	810,687		810,687
Charge for the year	19,885		19,885
<b>At 31 December 2018</b>	<b>830,572</b>	<b>-</b>	<b>830,572</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	<b>4,746</b>	<b>20,111</b>	<b>24,857</b>
At 31 December 2017	24,631		24,631

Amortisation costs are part of the charity's operating costs and refer to the charity's accounting software.

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 10. Tangible assets

	Office equipment US\$	Total US\$
<b>Cost</b>		
At 1 January 2018	664,960	664,960
Additions	82,585	82,585
Disposals	(32,613)	(32,613)
<b>At 31 December 2018</b>	<b>714,932</b>	<b>714,932</b>
<b>Accumulated depreciation</b>		
At 1 January 2018	447,092	447,092
Charge for the year	133,876	133,876
Disposals	(30,834)	(30,834)
<b>At 31 December 2018</b>	<b>550,134</b>	<b>550,134</b>
<b>Net book value</b>		
<b>At 31 December 2018</b>	<b>164,798</b>	<b>164,798</b>
At 31 December 2017	217,868	217,868

## 11. Debtors

	2018 US\$	2017 US\$
<b>Amounts falling due within one year:</b>		
Trade debtors	<b>3,458,654</b>	4,116,729
Prepayments	<b>247,567</b>	230,718
Amount owed by employees	<b>4,111</b>	6,588
Other debtors	<b>1,119,562</b>	1,100,248
	<b>4,829,894</b>	5,454,283

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 12. Creditors: amounts falling due within one year

	<b>2018</b>	2017
	<b>US\$</b>	US\$
Trade creditors	<b>415,677</b>	391,042
Amount owed to employees	<b>54,952</b>	54,961
Accruals and deferred income (see note 13)	<b>2,741,743</b>	2,664,494
Taxation and social security	<b>406,145</b>	113,547
	<b>3,618,517</b>	3,224,044

## 13. Deferred income

	<b>2018</b>	2017
	<b>US\$</b>	US\$
Opening balance	<b>2,558,575</b>	2,370,715
Incoming resources deferred in the year	<b>7,849,809</b>	7,558,889
Amounts released	<b>(7,875,916)</b>	(7,371,029)
<b>Closing deferred income</b>	<b>2,532,468</b>	2,558,575

Deferred income comprises of funds received for work to be carried out in 2019.

Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 14. Analysis of Assets and Liabilities between funds

	<b>Restricted income fund</b>	<b>Unrestricted income fund</b>	<b>Total funds 2018</b>	<b>Total funds 2017</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Intangible assets		24,857	24,857	24,631
Tangible assets		164,798	164,798	217,868
<b>Current assets:</b>				
Debtors	22,000	4,807,894	4,829,894	5,454,283
Cash at bank and in hand	1,342,456	4,880,735	6,223,191	6,164,322
<b>Current liabilities:</b>				
Creditors: amounts falling due within one year	(860,125)	(2,758,392)	(3,618,517)	(3,224,044)
<b>Balance at 31 December 2018</b>	<b><u>504,331</u></b>	<b><u>7,119,892</u></b>	<b><u>7,624,223</u></b>	<b><u>8,637,060</u></b>

#### 15. Total income fund

	<b>Unrestricted income fund</b>	<b>Restricted income fund</b>	<b>Total funds</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Balance at 1 January 2018	8,437,273	199,787	8,637,060
Net movement in funds	(1,317,381)	304,544	(1,012,837)
<b>Balance at 31 December 2018</b>	<b>7,119,892</b>	<b>504,331</b>	<b>7,624,223</b>

Funds are considered restricted when they have been donated to the Charity to perform specific tasks and activities.

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 16. Financial commitments

The total of future minimum payments on operating payments due within the following periods are as follows:

	<b>2018</b>	2017
	<b>US\$</b>	US\$
<b>Other</b>		
Within one year	<b>418,720</b>	481,825
Between 2 to 5 years	<b>948,892</b>	1,113,671
After 5 years	<b>230,854</b>	413,174
<b>Total</b>	<b>1,598,466</b>	2,008,670
<b>Plant and Machinery</b>		
Within one year	<b>8,688</b>	
Between 2 to 5 years	<b>12,327</b>	29,039
<b>Total</b>	<b>21,015</b>	29,039

Lease payments are charged to the Statement of financial activities on a straight line basis over the period of the lease.

Notes to the financial statements for the year ended 31 December 2018 (continued)

## 17. Notes to the Statement of Cash Flow

Reconciliation of surplus for the year to the net cash inflow from operating activities

	<b>2018</b>	2017
	<b>US\$</b>	US\$
(Deficit)/surplus for the year	<b>(1,012,837)</b>	1,255,192
Interest received	<b>(2,239)</b>	(1,778)
Depreciation of tangible fixed assets	<b>133,876</b>	138,569
Amortisation of intangible fixed assets	<b>19,885</b>	17,959
Loss on disposals of tangible fixed assets	<b>1,474</b>	2,269
(Increase)/decrease in debtors	<b>624,389</b>	(782,729)
Increase in creditors	<b>394,473</b>	111,128
Foreign exchange (gain)/losses on cash	<b>320,674</b>	(66,466)
<b>Net cash inflow from operating activities</b>	<b>479,695</b>	<b>674,144</b>

Analysis and reconciliation of Net Funds

	<b>2018</b>	2017
	<b>US\$</b>	US\$
Cash at bank and in hand beginning of the year	<b>6,164,322</b>	<b>5,477,461</b>
Effect of exchange rates	<b>(320,675)</b>	<b>66,466</b>
Cash Flow movement	<b>379,544</b>	<b>620,395</b>
<b>Cash at bank and in hand end of the year</b>	<b><u>6,233,191</u></b>	<b><u>6,164,322</u></b>

## 18. Capital

The Charity is a company limited by guarantee and consequently does not have share capital. Each member has undertaken to contribute £1 to the assets of the company to meet its liabilities if called to do so.

## 19. Related Parties

Except for directors' expenses, there were no related party transactions in the year and no balances outstanding from or owing to related parties at the year end.

## 20. Ultimate parent undertaking and controlling party

The directors do not believe there is a single ultimate controlling party. There is no parent company.

## **21. Post balance sheet events**

On 1 January 2019, the majority of the trade and assets of The Forest Trust were transferred to Earthworm Foundation, a Swiss Foundation. The value of the net asset transfer was \$7,587,821. The Forest Trust will continue to operate as an affiliate of Earthworm Foundation, under a Services and Funding agreement.

## **Annex 1: Supporters during 2018 (unaudited)**

3M	Enviva	Mr. Bricolage
ADEO	Eurosten	Mondelez
ADM	Everfine	Natures Organics
Aggregate Industries	Feronia	NBPOL
Alinea	Ferrero	Nestle
Anavil Company Ltd.	Florin AG	NEXT Retail Ltd
Arctic Kvartsit	Floval Groupe	Pirelli
Apical	Fonterra	Pladis
ARTE	Fuji Oil	ProFairtrade - Ceres Food
Asian Agri	Gebr Voets	PZ Cussons
Asia Pulp and Paper	Givaudan	Reckitt Benckiser
Auchan	Golden Agri Ressources	S2udio PTY Ltd
Avon	Golden Veroleum Limited	Sainsbury's
B&Q	Grupo Bimbo	Soboplac
Betrami	Grupo Palmas	Socfin
Biscuits Bouvard	Gryfskand	Solcarbon
BNP Paribas	Hershey's	Sony
Bunge	Hoogenburg	System U
Carbobois	Johnson & Johnson	Vandermoortele
Carbonex	Jysk Group	Wilmar
Cargill	La Forestiere du Nord	
Casino	Leclerc	
Cerelia	Leroy Merlin	
Clorox	Les Mousquetaires	
Colgate-Palmolive	Lindt & Sprungli	
Danone	Louis Dreyfuss Commodities	
Dekker	Maisons du Monde	
Drax	Mars	

### **Charitable trusts**

Maisons du Monde Foundation  
Prince Albert of Monaco Foundation  
Waterloo Foundation

### **Organisations**

European Commission  
Norwegian Agency for Development Cooperation (Norad)  
The Nature Conservancy  
UNDP