



Registered Number 3842323
Charity Number 1114277

The Forest Trust
(a company limited by guarantee)

Annual report and financial statements
for the year ended 31 December 2012

The Forest Trust
(a company limited by guarantee)

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Directors and advisers

Brent F. Wilkinson (Chairman)
A. Hewett
N. Madsen
M. Durand (resigned 17 April 2012)
D. Roth
M. Troussier
A. Knight (resigned 9 May 2012)
S. Luutsche Ozinga (appointment 19 June 2013)
E. Jean Bouchet (appointment 12 March 2013)
M.Cattai-Livanos (appointment 12 March 2013)

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Secretary

Trethowans

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Chairman's Report for the year ended 31 December 2012

TFT continued its growth in 2012, with an increase in total incoming funds to a little over \$9m, up \$1.4m on 2011. This reflects our diversification into new product areas, the consolidation of our work in palm oil, acceleration in pulp and paper projects and our continued strong performance in timber. We have seen an increase in our net movement of funds from \$165,703 in 2011 to \$1,274,322 in 2012. This has enabled us to strengthen our reserves from \$404,211 in 2011 to \$1,678,533 in 2012.

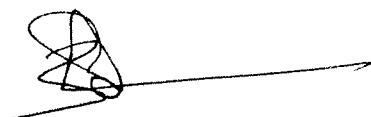
Key achievements during the year were:

- The launch of our SURE Technology for supply chain transparency
- Intensifying our work in palm oil and developing an approach for industry transformation
- Supporting Asia Pulp and Paper Group (APP) to commit to No Deforestation
- Golden Agri-Resources building on its commitments with a methodology for conserving forests
- Achieving FSC certification for seven forests
- The launch of our Responsible Stone Program
- Achieving Brazil's first ever FSC certification for a forest concession
- Bringing our staff group together through retreats for personal and organisational development

Next year marks TFT's 15th anniversary. Our reputation for supply chain expertise and delivery in the field may suggest that we are a much larger team than 97 people. Nevertheless, it is a reputation earned by steadily developing our expertise into new product areas and expanding the breadth of our work in existing products. We are testing this expertise all the time, by being agile in the field to respond to new markets and opportunities, and through the development of tools such as our SURE Technology. We are already seeing how SURE is helping companies gain greater clarity in their supply chains, and we are certain that the coming year will be a very busy period for our team as we work to attract new customers and carry out related work in the field.

On behalf of the Board, I would like to extend my thanks to every member of the TFT team for their continued efforts to make a tangible difference to enable sustainable supply chains around the world. Our results in the field are a real testament to the passion and commitment of our people.

I am also grateful to our existing members and business partners and to those who joined us during the year. The journey we are on together has many twists and turns but is rewarding and ultimately raises the bar for responsible growth and practices across industry.



Brent F Wilkinson
Chairman

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Directors' Report for the year ended 31 December 2012

The Directors, who act as Trustees for charitable purposes, present their report and the audited financial statements for the year ended 31 December 2012. In preparation of their report, the directors have had regard to Charity Commission guidance on public benefit in section 4 of the Charities Act 2006.

The information with respect to Directors and advisers set out on page 1 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" issued in March 2005.

PRINCIPAL ACTIVITIES

TFT is a non profit organisation that helps companies source their products responsibly. We work on the ground, in forests, farms and factories across the world, to help companies deliver products that are good for people and the environment. TFT's membership consists of 108 large global retailers and manufacturers who have made a firm commitment to *changing products for good*.

Since its founding in 1999, TFT has specialised in designing ways to prevent deforestation while also helping local communities that rely on forests to live. Through working closely with large and small timber-buying companies around the world, we have transformed the way wood is taken from forests and used in everyday products. TFT believes deforestation must be fought directly in the field. Which is why most of our staff work on the ground, in over 15 countries, to help manage over 10 million hectares of the world's forest.

TFT is now applying this same approach to cover a wider range of issues such as palm oil, sugar, stone and minerals, shoe and leather, charcoal, and pulp and paper. 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.

ORGANISATIONAL STRUCTURE

To deliver against our strategy in 2012, we organised ourselves into three key teams:

- Our **Field Programme team** works on the ground in forests, farms and factories to implement projects that fulfil TFT's objectives. It represents the vast majority of TFT staff and is composed of foresters, agronomists and social experts who monitor our members' supply chains and deliver on our donor priorities. They also share their knowledge locally and regionally through practical workshops and field training sessions.
- Our **Field Support Team** designs, implements and supports field projects which develop and demonstrate techniques for helping companies source their products more responsibly. Composed of project managers, financial controllers, human resources managers, communication and business development teams, the field support programme works 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.
- Our **Member and Donor Support Team** helps TFT's partners understand the 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 point of liaison with donors

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to ensure that funds are invested effectively and outputs communicated in a timely and digestible way. The team also communicates progress in the projects they support and in the chain of custody that supply their factories and stores.

TFT'S HIGHLIGHTS IN 2012

2012 was the year in which TFT's supply chain expertise was realised in new product areas – we have added sugar, charcoal and coconut to our roster of product groups.

Palm oil is still a relatively new area for TFT, but in less than three years we have carved a reputation for a proactive approach that challenges the industry status quo and ensures companies take full ownership of their supply chains right down to smallholder level. Unsurprisingly, for the ubiquitous commodity palm oil is, our work has taken us to all corners of the globe, and it is varied - from mapping supply chains in Australasia to addressing social issues with oil palm plantations in Africa.

Our work in wood, where TFT's roots lie, delivered Forestry Stewardship Council (FSC) certification for seven forests, among them Brazil's first ever FSC for a forest concession. The journey behind each of these achievements demonstrates the tremendous commitment and effort made by the people we are working with, from the small community wood trading business in Indonesia, to the family-owned forestry business in Brazil and the large state-owned forestry company overseeing 2.4 million hectares in Indonesia.

Working through the TTAP programme, TFT helped companies, that collectively represent over 2 million hectares, improve their systems towards legal verification. As part of this, two forestry companies in Guyana became the nation's first to achieve the Verification of Legal Origin (VLO) standard.

TFT palm oil member Golden Agri-Resources (GAR) continued to demonstrate its commitment to responsible growth, following up its Forest Conservation Policy with a scientific methodology showing how it will identify high carbon stock forests and peat lands for conserving across its lands.

2012 was also the year in which we brought our SURE Technology to market. SURE is now helping retailers and their supply chain partners demonstrate timber legality to comply with the EU Timber Regulation (EUTR). As well as a Due Diligence System, SURE offers a transparency module to help companies gain insight into their supply chains, and a product story-telling module they can use to communicate the story of their products to customers over their mobile phones. Backed up by our global team, SURE offers a both a practical and compelling proposition for companies committed to doing business responsibly. We are very excited about its development potential across different products.

Poor working conditions remain a huge issue in quarries and stone processing sites in developing countries, and this is something our Responsible Stone Program is committed to changing. The Program had its official launch in October, and our stone members, including retailers, importers and masons, are working with us to raise labour standards in their supply chains. This is facilitated by our in-house team of auditors and social specialists who in 2012 examined stone supply chains in India, China, Vietnam and Indonesia.

We also began one of our most ambitious projects to date in 2012, as we were engaged by Asia Pulp and Paper Group (APP) to help it address environmental and social concerns raised by Greenpeace and other NGOs. After twelve months of negotiations, we finished the year on a very positive note as APP committed to stop clearing natural forests.

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TFT gained 22 new members during 2012, and at the year-end we had a total of 108 members. A complete list of supporters can be found in Annex 1. To deliver results in the field and to meet our

responsibilities to all projects and member companies, TFT's average staff numbers increased from 90 in 2011 to 97 at the end of 2012.

TFT has offices in 14 countries, and to support our growth in 2013 we are in the process of establishing offices in Luang Prabang in Laos, Abidjan in Ivory Coast, Guangzhou in China and Melbourne, Australia. Our field teams are based in Brazil, Ivory Coast, Cameroon, Congo Brazzaville, India, Laos, Malaysia, Vietnam, China and Indonesia, with field support offices in Switzerland, France, the UK and US.

TFT's MODEL FOR CHANGE

During 2012 year we began talking to more of our new members and business partners about the model we have been using with great success in some of our members' operations. Values, Transparency, Transformation, or VTT for short, is a three-step approach that we believe gives companies the ability to bring about real change in their supply chains.

Firstly, we speak with members about their values - developing these, by establishing what a company wants for its products and business, means companies can define the story they want their products to have. Next comes transparency - only when a company has a clear view of its supply chain can it truly achieve transparency and know what changes it needs to make. With clear values and supply chain transparency, companies can go about transforming their supply chains to deliver truly responsible products. During 2012, we focused on applying this model across many supply chains - from palm oil to paper and stone.

TFT's SURE TECHNOLOGY

By the end of 2012, a number of our members and clients, including Maisons du Monde, Sainsbury's and Jysk, had undergone successful trials of our SURE Technology for EU Timber Regulation Due Diligence Systems (DDS) support. 'Onboarding' with SURE several months in advance of the Regulation's enforcement date of 3 March 2013 afforded members and clients time to make the system part of their activities and their suppliers' day-to-day operations.

We spent much of 2012 perfecting the system to ensure our members not only had robust DDS support, but that SURE was the ideal tool to help us deliver our Values, Transparency, Transformation model; SURE is also used as a transparency tool which gives companies the unparalleled ability to track their products and commodities through each node of the supply chain.

During the year we also put the finishing touches to SURE's story-telling module, which enables retailers to communicate the story of their products to the customer at the point of sale. An exciting moment came in Autumn 2012, when the first Maisons du Monde furniture products to carry QR codes arrived in the retailer's stores. A customer in a store can scan an on-product QR code with their mobile phone to read all about that product's story - learning about the forest it is from, why its story matters and what happened at each stage of product development to ensure it is a responsible product.

2012 was a milestone year for our SURE Technology, as months of intensive work resulted in a truly useful system for our members and clients. It was also a significant year for our staff, as we grew the SURE team to include a programme manager, technical support specialist and systems

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development specialist. Our network of staff around the globe form an essential part of SURE delivery, as our UK-based SURE Technology team work closely with member managers and our

field support specialists in producer countries, including Indonesia and China, to handle any mitigation requests and deliver training to members and suppliers alike.

Our focus for 2013 is to grow the number of companies using SURE, develop the transparency module and examine how we can adapt the system to suit the US Lacey Act and the new requirements of the Australian Illegal Logging Prohibition Act coming into force in November 2014.

PRODUCT AREAS

TFT continued to develop its expertise in responsible timber sourcing while also accelerating work with members across other product categories. Here is a summary of key activities:

PALM OIL

2012 was a busy year for our palm oil teams as we built upon the successes achieved with members in 2011 and began to formulate an approach to share with others in the industry.

Having become a TFT member and launched its Forest Conservation Policy in 2011, GAR, the world's second largest palm oil plantation company, worked with us on a methodology to identify and protect High Carbon Stock (HCS) forests across its operations. The methodology was published in June 2012 and shortly after, independent environmental activist Greenomics praised GAR's progress on its Forest Conservation Policy.

Other companies can use the HCS methodology to help conserve valuable forests and peat lands across their operations. TFT has also begun using the methodology with other organisations - in late 2012 we started working with one of Australasia's major palm oil producers, New Britain Palm Oil Limited, to conduct HCS assessments of its land in Papua New Guinea and the Solomon Islands.

During the year, TFT member Nestlé communicated the steady progress being made across its global palm oil supply chain by announcing that 40% of its palm oil supply chain was traceable back to the mill. TFT teams also began mapping Nestlé's North America palm oil supply chain during the year, covering both the US and Central America.

In the US, we secured funding from the Climate and Land Use Alliance (CLUA) to increase our outreach to North American companies using palm oil. This funding enabled us to hire a new Palm Oil Member Manager in quarter 4 of 2012.

In Europe, we welcomed Florin AG as a new palm oil member. Florin is the first refinery in the world to commit to No Deforestation in its supply chain. We also began talks with the Finnish company Neste Oil, one of the world's largest buyers of palm oil, to help them understand the policy commitments of a No Deforestation pledge.

TFT field teams began work with the largest crude palm oil producer in the world, Malaysia-based Sime Darby, to address social issues around its oil palm plantation expansion in the West African country Liberia. We also completed eight Responsible Sourcing Guidelines assessments across Africa and Asia for our palm oil members in the first six months of 2012

Having now intensively worked for almost three years to achieve traceable, responsible palm oil supply chains, we began to develop an approach to share with others. We held an event in London to share our thinking with an audience of food companies who heard from, amongst others, Nestlé,

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Department for International Development and GAR. All TFT palm oil members commit to No Deforestation, which we believe demonstrates real commitment and goes beyond the commonly adopted certification model. To complement the development of our approach, we set up a strategy for 2013 to address a number of markets in Asia and Europe.

PULP AND PAPER

In February 2012, APP engaged TFT to help it to develop policy solutions to the issues raised by Greenpeace and other NGOs. The target of a decade-long Greenpeace campaign, APP's primary issues were around deforestation and social conflict. Our focus was on understanding APP's context and then developing, with them, practical and efficient policy solutions that could be implemented on the ground.

We worked with APP throughout the year, both with its leadership team to discuss strategies and possible solutions, and through field work in Indonesia to test whether the solutions could be implemented. In the summer we began discussions with Greenpeace. Despite many months of challenging negotiations, by the end of the year we managed to secure APP's commitment to end deforestation for good across its operations. This would be announced the following February once a moratorium was in place across its two million hectares of land.

During 2012, we also introduced the TFT model to the US audience of pulp and paper and palm oil companies. This included a presentation at the Sustainable Packaging Coalition annual meeting in Toronto, where we presented our brand-based values approach to a meeting of the top packaging companies in North America. This was complemented by completion of the Nestlé North American pulp and paper supply chain mapping to forest level, and meetings with key Nestlé suppliers to learn about what they are doing to meet the Nestlé Responsible Sourcing Guidelines (RSGs) for forest-based products.

Globally for Nestlé in 2012, we mapped the supply chains of 61 key suppliers and carried out six RSG assessments in forests and 20 in factories in Europe and countries including the US, Brazil, India, Malaysia, Indonesia and China.

STONE

TFT's Responsible Stone Program was officially launched at the 'Dag van de Openbare Ruimte' exhibition in The Netherlands on 11 October 2012. Formed through the merger of TFT's Quarry Working Group and the Dutch-based Working Group on Sustainable Natural Stone (Werkgroup Duurzame Natuurvgsteen – WGDN), the Program is supported by the Dutch Sustainable Trade Initiative (IDH) and aims to diminish the negative effects of natural stone mining and processing by sourcing responsibly quarried stone that respects the environment and improves people's lives.

As of 31 December 2012, the Program had 17 members, including retailers, importers and stone masons from the UK, The Netherlands, Belgium and Sweden. By becoming members, companies in the natural stone industry commit to raising the labour standards in their supply chains. Partnering with the quarries and factories in members' supply chains, TFT helps them follow a path to improvement through 10 criteria, over two levels, covering the eight core conventions of the International Labour Organisation.

Also during the year, TFT's India team visited eight stone processing factories and six quarries, with corrective action plans put in place. All sites are working towards reaching Level 1 of the Program's Code of Conduct in order to have safer working conditions, no child, forced or bonded labour, and with basic environmental considerations met. Once Level 1 has been achieved, the sites are helped towards Level 2, involving greater environmental and labour standards.

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11 Chinese stone processing factories, 4 Indonesian factories and quarries, and 2 Vietnamese quarries and factories were also helped towards improvements in standards.

Also during the year, discussions were held with the German Federation of DIY and Garden Product (BHB) and large UK construction groups. The strategy for 2013 is to increase influence on the ground and throughout Europe, whilst continuing to support those already in the Program.

WOOD

During 2012, TFT supported projects in just over 3.1 million hectares in forest locations around the world. With TFT's support, 1.67m hectares achieved Verified Legal standards, and 275,000 hectares were FSC certified during the year. To date, TFT's work in wood has impacted over 10 million hectares of forest.

Throughout the year, TFT worked in forests in Brazil, Indonesia, Malaysia, Laos, Vietnam, and Congo Brazzaville, supporting forest owners and managers to improve practices towards FSC standards. All forests certified in previous years maintained their certificates in 2012.

TFT also supported forest managers in China, Suriname, Guyana and Brazil to establish systems to verify the legality of forest products - an important step on the way to responsible forest management.

Following the success of our 'Drop the Guns' campaign with Indonesian state-owned forestry company Perum Perhutani in 2011, we began working in two more Perhutani forest units in 2012 to bring them towards FSC certification. KPH Pemalang on the north coast of Java and KPH Ngawi in East Java represent some 70,000 hectares rich in teak and mahogany. The new projects take our total number of projects in Indonesia to 15.

Perhutani's efforts with responsible forest management were rewarded during 2012, when forest management units Cepu, Ciamis and Randublatang – collectively representing close to 100,000 hectares – all achieved FSC certification. Rondobel, a Brazilian forestry company that has worked with TFT since it joined the TTAP project in 2009, achieved FSC certification in April 2012, and our work with Rondobel's neighbour, forestry company LN Guerra, made headlines as Brazil's first ever FSC certification for a forest concession.

Another proud moment came in September, when Dipantara, the Indonesian wood trading business TFT and members Crate & Barrel, Leroy Merlin and Maisons du Monde helped to establish, achieved FSC certification for eight of its member villages. The year was rounded off with FSC certification for Indonesian PT. Dwimajaya Utama, a TFT forest and logging unit of Dwima Group. This was TFT's 10th forest project in Indonesia to achieve FSC.

Timber Trade Action Plan (TTAP)

Following the successful completion of TTAP 1 in December 2011, activities continued in TTAP 2 focus countries of China, Brazil, Guyana, Suriname and Bolivia to promote the trade in legally verified products to Europe. Over 1.6 million hectares were verified legal and 60,000 hectares were FSC certified.

With the EUTR planned to come into force in March 2013, the project was welcomed by the private sector as a means to demonstrate risk management to exclude illegal timber from their products. Highlights of the project in 2012 include:

FSC certification for Brazilian forestry company LN Guerra's 46,000-hectare concession in Para state. The company employs 100 staff and sells rough sawn decking and flooring products, made from tropical woods such as Maçaranduba, Ipe, Cumaru, Angelim and Jatobá, into both domestic

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and European markets. LN Guerra began working with TFT towards responsible forest management in March 2012 following its nomination for TTAP by one of its European buyers, DLH. The successful outcome of this work is also thanks to the help of The Amazon Alternative (a project of

the Sustainable Trade Initiative – IDH), which provided funding for the certification work programme, including social and environmental assessments.

Also in Brazil, FSC certification was achieved by forestry and processing company Rondobel's 16,000 hectares of natural forest and its sawmill. This success came after Rondobel and TFT started working together in 2008, initially through TTAP to achieve legality verification. Rondobel became the first company in Brazil to do so, reaching Verified Legal Origin (VLO) status in September 2010. The company has taken the stepwise approach from legality verification to certification as a means to demonstrate its values and gain additional brand credibility in the marketplace, and it achieved FSC certification in April 2012. Having recently acquired a new concession of 19,000 hectares in the State Forest of Mamuru-Aruipins, Rondobel will continue to work closely with TFT towards achieving FSC certification for this concession.

In Guyana, two forestry companies became the nation's first to achieve VLO standard. Barama Company Ltd and Variety Woods & Greenheart Ltd together represent over 1.64 million hectares of natural forest. This achievement will help provide assurances to their customers in Europe and the USA that their products are legal in light of the demands of the EUTR and Lacey Act respectively. Verification status also supported the companies in their preparation for the requirements of the VPA negotiations in Guyana that commenced in late 2012.

In China TTAP assisted the agent BrightWood together with its two major plywood suppliers to achieve VLC verification after meeting the requirements of the Rainforest Alliance's VLC standard. The process started in early 2012 when the plywood manufacturing mill, Xuzhou Huilin Wood Manufacture Co. Ltd and Feixian Dachang Wooden Co. Ltd were nominated by their UK buyers who are both members of the UK Timber Trade Federation. Plywood supply chains are complex and the work involved numerous suppliers of domestically grown poplar, eucalyptus and local peeling mills as well as tropical importers for the Face and Back (F/B) of the product. TFT assisted in consolidating the supply chain and closing out the gaps so that all elements could meet the requirements of the legality standard. Brightwood and its suppliers received VLC verification in November 2012 and are looking to engage further suppliers in TTAP in 2013 before the project's close.

The TTAP project not only works with companies on supply chain management but also raises awareness about illegal logging and Europe's FLEGT Action Plan. In 2012 TTAP published three editions of the TTAP Newsletter and published the report *'Legality verification: Observations and impact of the Timber Trade Action Plan (TTAP)'* to track the project's contribution towards FLEGT. It highlighted that the project has been operating in a constantly changing context since the adoption of the FLEGT Action Plan in 2003 but nonetheless helped forestry companies in Malaysia, Indonesia, Brazil, China, Cameroon and Congo Brazzaville achieve legality verification in 1.84 million hectares of forest and provided training to over 12,500 forest and processing site staff on traceability and FLEGT. This action also contributed significantly to the VPA negotiations in Indonesia as well as carrying out field tests of the legality definition of the LAS in Cameroon, Liberia, Congo Brazzaville and DRC to ensure the practicability of their use.

TTAP also hosted a number of events, such as a legality workshop in China in March, as well as presentations to the partner Timber Trade Federations and also supported the ETTF/EFI/MTC International Timber Federation Forum in October in Kuala Lumpur. In the latter, TTAP supported the participation of trade representatives from TTAP 2 focus countries as a means to promote collaboration and information sharing between the sector.

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Community forest project highlights

Empowering communities and promoting rural livelihoods

In September 2012, TFT published its community forest handbook, entitled: 'Sustainable Community Forest Management: A Practical Guide to FSC Group Certification for Smallholder Agroforests'. Funded by The Waterloo Foundation, this guide is based on TFT experts' seven years of experience working on the ground with smallholder agroforest communities in Southeast Asia.

With smallholders being the invisible source of wood into global supply chains, the handbook is designed to better equip smallholders with the practical knowledge they need to set up and run viable wood trading businesses, and covers everything from crop development to FSC certification and business management skills including marketing. The handbook has been very well received by the NGO community and by smallholder co-operatives around the world. In response to demand, it is being translated into Lao, Bahasa and Vietnamese.

Indonesia

Dipantara Project, Java

In the five years since it was established, Dipantara Community Trading Initiative has grown to become a viable wood trading business which helps Indonesia's farmers in the Gunung Kidul region manage and sell their wood. This past September, Dipantara reached a milestone by achieving FSC certification under the group SLIMF (Small Low Intensity Managed Forests) standards. As a result, more than 1000 farmers and their families immediately began selling FSC certified teak. By the end of 2012, Dipantara had partnered with 98 farmers groups in 25 villages. In total, over 7,400 farmers and their families have registered with Dipantara. Collective timber sales continue to increase for Dipantara members. In 2012, farmers sold more than 748 m³ teak and 315 m³ mahogany. The continued positive growth in timber sales can be attributed to Dipantara's continued improvement with business management, thanks in part to ongoing trainings and business forums hosted by TFT. In the coming year, TFT and Dipantara will focus on meeting Indonesia's forest legality verification scheme (SVLK), and expanding the number of farmers in the FSC certification group.

Klinik Tani, Java

In 2012, Klinik Tani, TFT's newest community forest partner, achieved considerable growth in membership and began selling high volumes of teak to TFT members. During the year, Klinik Tani signed Memorandums of Understanding with 20 new farmers' groups in the districts of Klaten and Wonogiri. As of November 2012, Klinik Tani has partnered with a total of 1,770 farmers in 30 farmers' groups. Ongoing training and technical guidance from TFT has helped Klinik Tani staff to register farmers' lands and inventory more than 23,000 trees. Collectively, Klinik Tani farmers sold almost 870m³ teak last year to three Central Java furniture factories supplying TFT members.

Klinik Tani has also been actively involved in a number of workshops on SVLK training and business development throughout the year. In November, Klinik Tani representatives were asked to discuss with the Ministry of Forestry and other Indonesian government officials some of the challenges they face in preparing for SVLK verification. The focus for TFT in the coming year will be to assist Klinik Tani as they prepare for SVLK audits in September, and to continue to support their goal of achieving FSC certification.

KSU Taman Wijaya Rasa (Kostajasa) (Java, Indonesia)

Since achieving FSC certification in 2009, Kostajasa has successfully passed all FSC surveillance audits and has collectively sold mahogany and teak on international markets. In 2012, Kostajasa had more than 900 farmers organised into 19 farmers' groups covered under the FSC group SLIMF certificate. During the year, farmers collectively sold more than 147 m³ mahogany and 36 m³ teak to six furniture factories in Java supplying TFT members. In the coming year, TFT will continue to

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provide strategic training and support to Kostajasa as they plan to increase the FSC certified group by 200 farmers.

Koperasi Hutan Jaya Lestari (KHJL Cooperative) (Sulawesi, Indonesia)

KHJL maintained its FSC group certification of over 750 cooperative members. The cooperative was also featured on a number of international forums, including *stories.coop* which featured a case study describing KHJL's long journey towards FSC certification, which was achieved in 2006. FSC International also posted an updated case study of KHJL on their Smallholder Support website. This media attention shows that KHJL's story continues to inspire smallholders around the world who are working towards becoming sustainable community enterprises.

Punjab & Haryana Shisham (Northern India)

TFT's community forest programmes in the states of Punjab and Haryana have made considerable progress in expanding the number of farmers involved. The programme, which began in October 2011, has now partnered with more than 140 members in Punjab and 190 farmers in Haryana. TFT staff have been providing key training in tree planting, pruning and maintenance to increase the survivability of young trees and improve shisham timber quality. In 2012, the Punjab group celebrated its first timber sales as a TFT-supported community forest. While timber volumes sold were relatively low, TFT staff will continue to work closely with farmers in the region to increase timber sales by connecting them to local furniture factories that supply to international markets. FSC training and capacity building with farmers and community leaders will be the focus for the coming year.

Luang Prabang Community Teak Programme (LPTP) (Laos)

The LPTP program passed its first FSC surveillance audit in 2012 and started the expansion of the program to three additional villages in the Luang Prabang province. The LPTP programme now serves 138 households in four villages. During the year, farmers had two major timber sales directly to international furniture retailers in which they negotiated a price 36% higher than previous sales. In the past year, TFT staff have been busy providing field training to both farmers and government forestry staff. Mapping and registration of farmers' lands will continue to be a priority in the coming year, as well as identifying and managing High Conservation Value (HCV) forests. Expansion into other new villages is the target for 2013.

LEATHER AND SHOE

We continued our work with Macintosh Retail Group to bring responsible shoes to market. TFT and MRG have clearly defined what is meant by 'responsible shoes' and we have prepared specific guidance for known problem areas such as Volatile Organic Compounds (VOCs) and Polyvinyl Chloride (PVC). Macintosh has also been actively pursuing improving social standards, third party accreditation and adherence to Restricted Substances Lists.

The biggest development during the year was trialling supply chain mapping processes with manufacturers based in South Africa, China, Bangladesh, Vietnam, and Portugal. We found a mixed level of understanding coupled with, in many cases, a strong willingness to work together. From this, we've learnt that strong working relationships with suppliers and manufacturers based on mutual trust, respect and goals can lead us all to complete supply chain visibility.

NEW PRODUCT AREAS

Sugar

In late 2012, we began work with SOSUCAM, the Cameroonian subsidiary of SOMDIAA, a company that produces agro-food commodities in and for Africa. Whilst sugar is a new product area for TFT, the project brings to bear our experience in conflict resolution. Our work focuses on community

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engagement and labour management around the company's plans to expand one of its two sugar production and processing facilities from 20,000 hectares to 31,000 hectares. The company provides year-round employment to 1,500 people and up to 7,000 in peak season. Some of the conflict has arisen from the fact that many staff are not from the local region.

During 2013, our focus will be on developing social management action plans for community relations management and for labour relations management. We will also provide support and monitoring services to the SOSUCAM team over a period of 18 months. We are working with Monkey Forest Consulting (MFC) on this project, with funding provided by SOSUCAM and DEG (the German Investment Corporation - Deutsche Investitions- und Entwicklungsgesellschaft).

Charcoal

With 60% of wood taken from the world's forest burnt as fuel and much of it ending up as charcoal for sale in shops, during 2012 we began tracing the charcoal supply chains of our European retailer members and started working on the ground in Nigeria and other producer countries to assess how the forests are being managed.

FSC certified charcoal is still low in supply and not able to satisfy market demands in Europe, which makes it even more important to ensure that charcoal on shop floors comes from responsibly managed forests. To raise the profile of the issue, TFT held an event for retailers during the year and organised another to take place in 2013.

Coconut

Côte d'Ivoire is one of the largest producers of coco in West Africa, and in July 2012 TFT began working with the company responsible for around 70% of this production. Huilerie Moderne d'Abidjan (HMA), a copra oil producer, set up responsible sourcing of the copra from smallholders in the south of the country. Most of HMA's oil is supplied to Switzerland-based importer Pro Fair Trade / Ceres Food, which became a TFT member in 2012.

Pro Fair Trade / Ceres Food supplies this oil to a number of industries in Switzerland. Together with copra oil, it sources sunflower and palm oils from hundreds of smallholders in Africa and Asia. Our partnership seeks to engage growers linked to the supply of raw materials and carry out a programme that supports the implementation of best practice. For this, eight Responsible Sourcing Guidelines have been developed, aiming to eliminate practices linked to deforestation, as well as ensuring that production is compliant with all laws and regulations.

Our work with HMA also involves investigating the supply chain to see where social and environmental gaps occur. One of the challenges on the ground is the existence of middlemen traders (known as 'pisteurs'), who ultimately cause the farmers to earn lower prices for their copra. During 2012, TFT and HMA worked to regroup the farmers into cooperatives so that they can directly work with HMA and earn a better price. Two cooperatives have been set up so far, and we are working against the challenging backdrop of hostility from the pisteurs to set up another. To bring about a solution, we have organised several meetings with the farmers.

Pro Fair Trade seeks to make a positive impact on communities and the environment and at the same time deliver a high quality product to its customers. Together with TFT, during 2013 it will build upon existing agricultural systems to strengthen the protection of the environment and the benefits for people involved in the production, as well as seeking innovative ways to increase sustainable yields.

APPLYING OUR SOCIAL EXPERTISE IN FACTORIES

In 2012 we built upon our focus and expertise in social standards and working conditions in factories. The new TFT Responsible Stone Program meant that we were conducting visits to quarries across South East Asia, as well as to stone processing factories. Additionally, our work through the

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Responsible Shoe Program took us to factories in Asia, Europe and Africa to ensure fair conditions for staff, which includes measures such as eradicating the use of volatile organic compounds and other harmful chemicals and solvents so often used on production lines.

Companies that were not members of TFT also commissioned us to provide our expertise and training to factories in their supply chains that were either working towards third-party certification or needing to improve standards to comply with the company's own code of conduct. TFT worked with nine companies in helping 29 factories producing furniture, textiles, plastics, ironmongery, toys and ceramics, to reach a higher level of working conditions.

SOCIAL AND EDUCATIONAL PROJECTS

Centre for Social Excellence (CSE)

Established by TFT in 2008, the CSE is a Cameroon-based teaching project that seeks to develop and expand the social expertise of graduate-level students and forest/agribusiness professionals throughout Central and West Africa.

January 2012 marked the start of the CSE's fourth training session. We welcomed the ten new students of the 'Mosambo' promotion (Mosambo means 'negotiation and consensus' in Mbendjele Pygmy language) for four months of theoretical study. Training included a series of field trips to local logging and agro-industrial companies, as well as to villages, enabling students to understand the relationships between local populations and the companies.

In May, each of the students returned to their home country (including Republic of Congo, Democratic Republic of Congo, Central Africa Republic, Ivory Coast, Gabon and Cameroon), for a five-month internship within a private company. The companies are mainly logging operators and palm oil producers, and the students undertook a variety of practical assignments, including conflict resolution processes and research into wood fuel and charcoal businesses. The students returned to the CSE in November 2012 to write their theses.

Later in the year, preparations were made for the fifth training session, to begin in January 2013. Applications are open to students from across Central and West Africa, and for the first time, lessons will be taught in English.

During 2012, we also welcomed nine employees of logging companies, three from civil society and two from research centres for the CSE's short training programme in Bangui (Central African Republic). The CSE chose Bangui as a location because Bangui needs greater capacity building for its forest management. The short programme typically lasts two to three weeks and is designed to build employees' awareness of the social aspects of responsible forest management – developing skills they can then take back to their workplace.

Today, 78.3% of former students have a full-time job in the field of natural resource management (NGOs, private companies, research centres), 4.4% are consultants for organisations related to forestry and 8.7% have started a new training to deepen their skills in sustainable management.

So far, 33 long session students and 52 short session students have passed through the CSE. Considering the area of intervention of a CSE learner (defined by the area in which the student worked during the five-month internship or on which an employee works), more than 8 million hectares of land have been impacted by the CSE's work so far. The fifth session and short training for 2013 will enable us to skill more people, ultimately benefiting the forests of the Congo Basin.

The CSE's work is supported through funding by The Waterloo Foundation and The Monaco Foundation.

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Given the success of the CSE model in Africa, we are now exploring the idea of creating a CSE in Indonesia.

STAFF DEVELOPMENT

With many new staff joining our global team over the past year, we dedicated much of 2012 to bringing our staff team together and aligning our vision. In June 2012, TFT's senior managers came

together for the residential Senior Management Committee week in Switzerland. With a 'World Café' theme, the focus of the week was on TFT's global role and possibilities. To give all staff the opportunity to experience this creative and inspiring session, we held residential staff retreats later in the year. In September, the Indonesian and Malaysian staff teams of 60 came together with TFT's Senior Management Team for a week in Indonesia and the European team of 40 met in Switzerland in October. A retreat was planned for India and China staff in India in March in 2013, with retreats also planned for TFT Americas and Africa teams in 2013.

When we are not meeting face-to-face, the global team stays connected on a daily basis with the help of tools such as Yammer, the enterprise social network. This enables staff to post updates on their projects, share ideas and introduce new team members to colleagues around the world. Additionally, the Senior Management Committee has monthly calls to share news on the projects they are working on.

During 2012 we also began forming ideas for other initiatives that could benefit our staff and TFT in 2013 and beyond. We decided an 'exploration week' would be one of these. To be held during Summer 2013, Exploration Week would enable staff to take time, both in groups and alone, to explore and to feed back on ideas of value to the organisation.

PROVIDING EDUCATION, TRAINING AND PUBLIC AWARENESS

a. Outreach to schools and universities

During the year we began formulating ideas for an education outreach programme built around environmental and social awareness of the supply chain. Senior TFT staff spent time visiting schools and universities to discuss the many issues around supply chains and how these can have meaning and application to all education audiences, from primary school children to postgraduate-level students. We also began the framework for an internship programme, and we look forward to developing both these streams in 2013.

b. Web presence

Across the year we continued to develop our website to reflect the need for timely, accurate, digestible information on the output from our work with members. We also developed a dedicated SURE Technology section, and published a helpful booklet to explain how the technology can be used. We continued our use of Twitter and Facebook, connecting with our online community through pictures from the field, project updates and links to relevant news. Consequently, our website attracted an average of 3,956 hits per month, an increase on 2011. We posted 43 news items during the year, and newsletters covering TTAP, TFT Africa and our Responsible Stone Program were sent to subscribers.

c. Workshops

The objective of our workshops is to promote a broader understanding of the importance of responsible product sourcing. Most of TFT's initiatives include significant training components to ensure long term results. For instance, through factory visits, building capacity in forest projects, or participating in international conferences and workshops, we provide training and education.

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These events and presentations are not inclusive of regular training sessions that take place in the forests as part of the process of capacity building in forest managers. These take place on a weekly basis in most of TFT's forest projects.

Some highlights of TFT's education, training and public awareness activities include the following:

- Providing aspects of sustainable forest management, including: forest planning, pre-harvest inventory, environmental responsibility, environmental impact assessments and monitoring, reduced impact logging practices, health and safety, GPS and GIS mapping and Chain of Custody.
- Contributing to the development of promotional material for TFT members, including store catalogues, to inform the customer about the importance of sourcing products responsibly.
- Participating in a number of trade fairs worldwide, both through TTAP and our members and NGO partners, to raise industry and public awareness of the importance of sourcing responsibly produced products.

During the year we also ran a number of EUTR-focused workshops for our members' suppliers. This included workshops for Jysk and Crate & Barrel suppliers in China. The aim was to help them understand the requirements of the Regulation and what they needed to do to prepare.

Linked to this, to help our members and SURE Technology customers get the best from the system, we ran a number of sessions for our customers and their suppliers. These hands-on sessions guide users through each stage of the due diligence process.

d. Media

During the year our media coverage included NBC's Rock Center show featuring our work with Nestle to an average of 5.3 million viewers. TFT's founder and executive director, Scott Poynton, was also interviewed by REDD Monitor for an in-depth piece that traced TFT from its origins to its present day work. This was complemented by another interview with Mongabay which broke news of our work with APP. During the year a number of contributed articles and blogs also featured, including an opinion piece in the Timber Trade Journal and regular blogs on Huffington Post.

FUTURE PLANS

In last year's annual report we explained that TFT has proven its model for change works and that our priority moving forward will be to take this to scale globally. Our work in 2012 is showing how this is happening; we have expanded into new product areas and further established our work in existing products. One key area we are moving into is I.T., where the use of rare and depleting earth minerals is creating considerable negative environmental and social impact.

The focus for the future is about continuing to build on all our experience and expertise, sharing with the broader industry what we are learning, and, through our SURE Technology, supporting our members to communicate their responsible practices to their customers and other stakeholders.

SURE is central to our growth. We will look to develop its potential beyond EU Timber Regulation to include support for compliance with the US Lacey Act and Australian Illegal Logging Prohibition Act where relevant. We will also develop the transparency module to help our members share their progress with stakeholders, and the product story module to help our retailer members engage with their customers.

As well as the expansion of our environmental work in the field, we anticipate accelerating our social work, particularly in pulp and paper and palm oil projects where conflicts exist over land rights/usage,

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and where mediation is needed to bring parties to peaceful resolve.

With our team of staff growing steadily, TFT will continue to enrich its skill offering and grow its expertise, challenge convention and bring about innovative solutions for companies prepared to change.

Results for the year

The Statement of Financial Activities shows a net increase in funds of US\$1,274,322 (2011: Increase of US\$165,703)

Reserves policy

As of 31 December 2012, TFT had a net reserve of US\$1,678,533 (2011: US\$404,211). The Board of Trustees believes that the TFT should ultimately maintain a level of reserves equivalent to at least 3 months of operating costs. The reserves policy is reviewed annually.

Dividends

As a charitable organisation and a company limited by guarantee, there will be no payment of a dividend. Net incoming resources of US\$1,274,322 (2011:\$165,703) will be retained within the funds of the charity.

Governance of the charity

The Board consists of 4 directors appointed by the member companies with the Chairman and at least one Board member being independent of any member company. All decisions are reached by consensus and only the Chairman holds a veto power. In 2012, Board meetings were held in January, May and September.

The induction and training of directors is based on an assessment of each new director's training needs and briefings are tailored to meet their requirements. A list of Directors can be found on page 1.

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 TFT for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 charitable company and of the incoming resources

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and application 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 Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

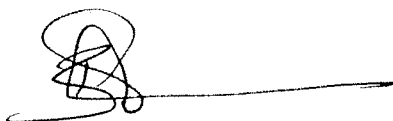
The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding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

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

By order of the Board



Brent F. Wilkinson
Chairman
September 26th, 2013

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Independent Auditors' Report to the Members of The Forest Trust

We have audited the financial statements of The Forest Trust for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

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

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

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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Independent Auditors' Report to the Members of The Forest Trust

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

AR Blackwell

Anthony Blackwell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield

September 26th, 2013

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Statement of financial activities (incorporating an income and expenditure account) for the year ended 31 December 2012

	Notes	Unrestricted funds 2012 US\$	Restricted funds 2012 US\$	Total funds 2012 US\$	Total funds 2011 US\$
Incoming resources from Generated funds					
Voluntary income:					
Donations		7,596,738	-	7,596,738	5,040,968
Grants received		-	1,489,811	1,489,811	2,661,246
Investment income:					
Bank interest received		245	-	245	1,183
Other incoming resources		5,539	-	5,539	2,241
Total incoming resources		7,602,522	1,489,811	9,092,333	7,705,638
Resources expended					
Costs of generating funds:					
Fundraising costs	2	278,430	54,562	332,992	428,061
Marketing and publicity	3	288,253	56,487	344,740	499,157
		566,683	111,049	677,732	927,218
Charitable activities	4	4,980,901	1,055,632	6,036,533	5,663,101
Governance costs	5	922,893	180,853	1,103,746	949,616
		5,903,794	1,236,485	7,140,279	6,612,717
Total resources expended		6,470,477	1,347,534	7,818,011	7,539,935
Net income for the year	6	1,132,045	142,277	1,274,322	165,703
Net movements in funds		1,132,045	142,277	1,274,322	165,703
Fund balances brought forward at January					
		222,615	181,596	404,211	238,508
Fund balances carried forward at December		1,354,660	323,873	1,678,533	404,211


All incoming resources and resources expended are derived from continuing activities. The notes on pages 22 to 30 form part of these financial statements. The charitable company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented. There is no difference between the net movement in funds for the year stated above and its historical cost equivalent.

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Balance sheet as at 31 December 2012

	Note	2012 US\$	2011 US\$
Fixed assets			
Intangible assets	10	364,240	146,140
Tangible assets	9	267,807	252,654
Total Fixed assets		632,047	398,794
Current assets			
Debtors	11	1,874,540	1,291,534
Cash at bank and in hand		639,317	278,979
		2,513,857	1,570,513
Creditors: Amounts falling due within one year	12	(1,467,371)	(1,565,096)
Net current assets		1,046,486	5,417
Total assets less current liabilities		1,678,533	404,211
The funds of the charity			
Restricted income funds	14	323,873	181,596
Unrestricted income funds	14	1,354,660	222,615
Total funds		1,678,533	404,211

The financial statements and associated notes on pages 20 to 30 were approved by the board of directors on September 26th, 2013 and were signed on its behalf by:



Brent F. Wilkinson
Chairman

Registered Number 3842323
Charity Number 1114277

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Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006, Charities Act 2011, applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

A summary of the principal accounting policies, which have been applied consistently, are set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and on a 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 donation and income deriving therefrom may be utilised).

Accruals basis

The financial statements are prepared on an accruals basis with the exception of donations which are accounted for on a cash basis.

Incoming resources

Voluntary income including donations, gifts and legacies and grants that provide core funding or are of a general nature are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Grants

Grants received and individual grants awarded are accounted for on an accruals basis.

Resources expended

Direct charitable expenditure in relation to the operation of the activities of the charitable company is accounted for separately from governance costs and 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 for charities. They are allocated to the restricted/unrestricted funds in equal proportion with the repartition of the total restricted/unrestricted resources received.

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Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies (continued)

Direct charitable expenditure is those costs incurred directly in support of expenditure on the activities of the charity. Governance costs are those incurred in connection with administration of the charity and 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, five years, or fifteen years on a straight line basis depending on the nature of the asset.

Intangible fixed assets

Capitalisation

Intangible assets represent the capitalised development costs relating to the SURE computer software.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measure.

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.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years. However, given that the asset remains under construction as at the year end, no amortisation has been recognised.

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Notes to the financial statements for the year ended 31 December 2012

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. Exchange gains or losses are included in the operating results.

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.

2 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 repartition of the total restricted/unrestricted resources received.

3 Marketing and publicity

	2012	2011
	US\$	US\$
Marketing	299,322	382,468
Publications	45,418	116,689
	344,740	499,157

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.

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Notes to the financial statements for the year ended 31 December 2012

4 Charitable activities

	2012	2011
	US\$	US\$
Salaries and social costs	3,778,227	3,534,334
External consultants	278,620	433,902
Operating costs	1,979,686	1,694,865
	6,036,533	5,663,101

5 Governance costs

	2012	2011
	US\$	US\$
Salaries and office costs	615,177	566,473
Professional fees	187,392	115,438
Operating costs	301,177	267,705
	1,103,746	949,616

As the administration of the charity and compliance with constitutional and statutory requirements is essential and benefiting all donors, the non-specific governance costs are allocated to the restricted/unrestricted funds in equal proportion with the repartition of the total restricted/unrestricted resources received.

6 Net income for the year

The balance transferred to the general unrestricted funds and the restricted growth fund for the year is stated after charging depreciation of US\$67,472 (2011: US\$51,667). Fees to the auditors for the statutory audit amounted to US\$28,680 (2011: US\$23,512) and no non-audit fees were payable. The operating lease charge for 2012 is US\$189,751 (2011: US\$189,914)

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Notes to the financial statements for the year ended 31 December 2012

7 Employee information

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

By activity	2012 Number	2011 Number
Head office	28	26
SE Asia	57	50
Africa	6	9
Latin America	6	5
	97	90

Staff costs (for the persons above)	2012 US\$	2011 US\$
Wages and salaries	4,156,334	4,062,108
Social security costs	467,576	331,890
Other pension costs	151,771	142,961
	4,775,681	4,536,959

No directors received any remuneration from the charity during the year (2011: none). US\$2,616 (2011:\$250) of expenses was reimbursed to directors 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	2012 Number	2011 Number
Between US\$100,000 and US\$120,000	3	1
Between US\$120,000 and US\$150,000	-	-
Between US\$150,000 and US\$210,000	3	3
Above US\$210,000 but less than US\$350,000	1	1

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Notes to the financial statements for the year ended 31 December 2012

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 Tangible fixed assets

	Office equipment US\$	Assets Under Construction US\$	Total US\$
Cost			
At 1 January 2012	318,251	97,818	416,069
Additions	71,177	11,448	82,625
Transfers	97,818	(97,818)	-
At 31 December 2012	487,246	11,448	498,694
Accumulated depreciation			
At 1 January 2012	163,415	-	163,415
Charge for the year	67,472	-	67,472
At 31 December 2012	230,887	-	230,887
Net book value			
At 31 December 2012	256,359	11,448	267,807
At 31 December 2011	154,836	97,818	252,654

10 Intangible assets

	Intangible assets US\$
Cost	
At 1 January 2012	146,140
Additions	218,100
At 31 December 2012	364,240
At 31 December 2011	146,140

The additions in 2012 represent investment in our SURE Technology system.

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Notes to the financial statements for the year ended 31 December 2012

11 Debtors

	2012	2011
	US\$	US\$
Amounts falling due within one year:		
Trade debtors	1,395,615	617,778
Other debtors	315,149	438,166
Amounts due from employees	20,387	102,803
Prepayments and accrued income	143,389	132,787
	1,874,540	1,291,534

12 Creditors: amounts falling due within one year

	2012	2012
	US\$	US\$
Trade creditors	271,863	289,356
Tax and social security	39,640	182,547
Accruals and sundry creditors	132,389	137,012
Deferred income (see note 13)	963,809	876,853
Amount due to employees	59,670	79,328
	1,467,371	1,565,096

13 Deferred income

	2012	2011
	US\$	US\$
Opening balance	876,853	1,020,485
Incoming resources deferred in the year	3,725,220	4,409,690
Amounts released	(3,638,264)	(4,553,322)
Closing deferred income	963,809	876,853

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Notes to the financial statements for the year ended 31 December 2012

14 Funds

	General unrestricted fund US\$	Restricted fund US\$	Total Funds US\$
Balance at 1 January 2012	222,615	181,596	404,211
Net movement in funds	1,132,045	142,277	1,274,322
Balance at 31 December 2012	1,354,660	323,873	1,678,533

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

15 Financial commitments

Annual commitments under non-cancellable operating leases were as follows:

	2012 US\$	2011 US\$
Land and Buildings		
Operating leases due to expire		
Within one year	43,817	27,772
Between 2 to 5 years	151,131	119,998
Total	194,948	147,770
Vehicles		
Operating leases due to expire		
Between 2 to 5 years	8,321	8,065
Total	8,321	8,065

16 Capital

TFT 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.

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Notes to the financial statements for the year ended 31 December 2012

17 Related Party Transactions

There were no related party transactions in the year and no balances outstanding from or owing to related parties at the year end.

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Annex 1: Supporters during 2012 (unaudited)

Adeo Group	E. Leclerc	Leroy Merlin Brasil
Aggregate Industries	E-bony	Les Mousquetaires
Alinea	Environment Furniture	Macintosh Retail Group
ALPI Group	Estilogie	Madeiporito
Amcor	Euro-sten as	Maisons du Monde
Anavil	Florin AG	Manfield
Arctic Kvartsit	Frank Hudson	Michel Oprey & Beisterveld
Arte di Granito	Furniture Global	Mitre 10
Arredo	G.van Leeuwe b.v	MO Home
Asia Pulp and Paper Group	GALEC	Mr Bricolage
Asindo	Gamm Vert	Muys
Auchan	Gebr.Voets	Nea
B&Q	Golden Agri/PT Smart	Nestlé
Beltrami	GP Decors	Neste Oil
Botanic	Hoogenberg	New Britain Palm Oil Ltd
Brantano (Belgium)	ILVA Denmark	Perhutani Industri Kayu Cepu
Brantano (UK)	ILVA Sweden	PRO
Brico Dépôt	Invito	Pro Fair Trade / Ceres Food
Bricomarché	Jardiland	PT Excelsior
Casino	Java Door	PT Intertrend
Castorama (France)	Jetstone	PT Tanjung Timberindo
Ceramic Prints	Jysk Denmark	Rondobel
CIB	Jysk Finland	S2dio
Cora Provera	Jysk Norway	Sainsbury's
Crate & Barrel	Jysk Sweden	Scapino (Belgium)
Dänisches Bettenlager	Kwantum Belgium	Scapino (Netherlands)
Dekker Natuursteen	Kwantum Netherlands	SEL
Dolcis	Leroy Merlin	Semasa
Domaxel/Weldom		

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SETM	Steffex
Sfereteam	Stoneasy
Shick	Struyk Verwo Infra
Sime Darby	Tiga Jaya Furniture
SIPLEC	Truffaut
Soboplac	Vicaïma
SOSUCAM	Vlaemynck
	Viareggio

Charitable trusts

Chirac Foundation
Fondation Ensemble
Prince Albert of Monaco Foundation
Waterloo Foundation

Organisations

Climate and Land Use Alliance
European Forest Institute
European Commission
IFIA
ICCO
ITTO
Ministry of Agriculture, Nature and Food
Quality, Netherlands Government
The Nature Conservancy
UK Timber Trade Federation
VVNH – Dutch Timber Trade Federation
World Bank Development Marketplace (WBDM)