

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 2017

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

Brent Wilkinson (Chairman) appointed 22 May 2008

Andrew Hewett, appointed 23 June 2009

Eric Bouchet, appointed 31 Jan, 2013

Saskia Luutsche Ozinga, appointed 23 May 2013

David Roth, appointed 22 Jan 2009

Michel Troussier, appointed 22 Jan 2009

CEO

Bastien Sachet, appointed 1 Jan 2016

Registered office

The Pavilion
Botleigh Grange Business Park
Hedge End
Southampton SO30 2AF

Independent auditors

PricewaterhouseCoopers LLP
Abacus House, Castle Park
Cambridge CB3 0AN

Legal adviser

Trethowans
The Pavilion
Botleigh Grange Business Park
Hedge End
Southampton SO30 2AF

The Forest Trust (a company limited by guarantee)

Strategic report for the year ended 31 December 2017

TFT has created a model of action to change the way companies interact with nature. TFT 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. Our incoming resources in 2017 were US\$18m, slightly below our 2016 figures, while we continue to strengthen our reserves, from US\$7,381,868 in 2016 to US\$8,637,060 as at 31 December 2017. The performance of the business has been discussed further in the Directors' report

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 2017 *(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. In 2018, to further reduce the risk, the focus will 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, consisting of a stylized 'B' followed by a horizontal line.

Brent Wilkinson

Chairman

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Chairman's report for the year ended 31 December 2017

Last year saw TFT further demonstrate its commitment to life out in the field, kicking off the year with its Palm Oil Industry paper, putting the previous six years of work in the commodity into context, while also clearly outlining the organisation's palm oil vision and how that differentiates from the certification model. Compliance isn't the goal, offering value to all stakeholders is.

New members across different continents and commodities came on board. In February, Enviva became TFT's first biomass member. Many NGOs remains sceptical about biomass - this due to that it not being a cleaner alternative to fossil fuels, but TFT were taken by Enviva's efforts to listen to stakeholder concerns around high conservation forests and how it is taking action and engaging with NGOs.

The organisation also turned its attention to soil, making its first steps into new projects to support farmers with how they can improve the health of their soil. This is particularly pertinent given it's been widely reported that soil in Europe could become infertile within the next 40 years. Support for farmers and smallholders remains a big driver of TFT's work, as exemplified by Paysan, a film by TFT's Sylvain Renou, which tells the story of two farmers - one from Africa and another from Europe, which was screened at the official launch of Rurality, TFT's initiative to empower smallholder farmers.

Protecting the planet is TFT's primary aim, as is protecting people around the world working in quarries, factories and plantations around the world. The Respect Initiative covers this part of TFT's work and has helped make some notable progress.

Passport retention is a legacy issue in Malaysia. Any awareness of it being an indicator of forced labour is low among many Malaysian businesses. Some have begun bucking the trend, like Kim Loong Palm Oil Mill, who we worked with along with Wilmar to get their workers passports returned to them. The results of which were made into a short film that have since been shared with other mills with the goal of ensuring more workers in the palm oil sector have their passports returned.

No organisation is strong without the intelligence, energy and collaboration of its people. The application of our resources has been the main focus of our leadership team over the last two years and it is pleasing to see the pace of impact and sharing accelerating via powerful internal communications, taking advantage of our own social media tool, Workplace. Again, on behalf of all on the Board I would like to say a thank-you to TFT staff for their efforts in 2017 and wish them well in their endeavours in 2018 and beyond. It is also appropriate to thank our Members, many of whom are helping and joining with us into pioneering new ways and sectors with a matching desire to discover and have a real long term impact on our planet's resources.



Brent Wilkinson
Chairman

Directors' Report for the year ended 31 December 2017

The Directors, who act as Trustees for charitable purposes, present their report and the audited financial statements for the year ended 31 December 2017. 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 2017

2017 began with the publication of TFT's fourth annual palm oil paper, drawing on our palm oil experience which started in 2010 when we began working with Nestlé to trace its palm oil supply chain. There were firsts as Enviva, the world's largest producer of wood pellets, became the organisation's first biomass member, while Grupo Palmas, the largest palm oil producer in Peru, became the first members from Peru.

Two new TFT initiatives were officially launched. Firstly, Rurality, our new initiative to empower smallholder farmers, with a screening of the TFT produced film, Paysan, which tells the story of two farmers from Africa and Europe. And also Starling, an innovative satellite service enabling companies to demonstrate how they are implementing their 'No Deforestation' commitments, following successful pilots with Ferrero and Nestlé.

With passport retention being such a legacy issue, with awareness that it is an indicator of forced labour being low among many Malaysian businesses. Yet some pioneers in the palm oil industry are starting to buck the trend and we showed the story through film of how Wilmar and Kim Loong Palm Oil Mill are working to return passports to their workers.

Future Development

2018 will see TFT launch Tools for Transformation, a new platform to help Malaysian and Indonesian palm oil producers requirements of No Deforestation, Peat and Exploitation policies. Created in collaboration with other partners with the belief that online tools can significantly help producers meet customer expectations.

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Directors' report for the year ended 31 December 2017 (*continued*)

The challenge for companies in meeting the demands of NDPE is often the size and complexity of supply chains, which makes it difficult for on-the-ground efforts alone to have effect at scale. This is where technology can play a role and help drive the transformation needed.

TFT and its partners will also further develop work on soil projects in Europe. Fertile soil is teeming with life – it's said there are a billion microorganisms in just one handful. Much of what we eat grows in it and billions rely on it for their livelihood. Yet heavy tilling and an increased use of chemicals are making soil less fertile, with reports stating soil in parts of Europe will no longer be fertile in 40 years. TFT will work with potato farmers within Nestlé's supply chain to increase the health of soil. The project will begin in France, but TFT wants to use this work as leverage to convince other industrial players, as well as distributors and farmers in the sector to join the project.

Other areas Our French team will continue developing their work to support retailers to protect the sea. Although to many we're best known for our work protecting forests, everything we do draws on 19 years of experience finding out where the raw materials companies use in their products comes from and whether its production is causing harm to either the environment or the people living and working in it. Having worked with French retailers for a number of years on palm oil and charcoal it seemed a logical progression to broaden that work to the ocean, especially as the retailers we work with all sell tinned fish, which too often are caught using deep trawling which is very destructive to the ocean and the myriad of eco systems within it.

Results for the year

The statement of financial activities shows a net increase in funds of US\$1,255,192 (2016: increase of US\$2,294,455).

Reserves policy

As of 31 December 2017, TFT had net reserves of US\$8,637,060 (2016: US\$7,381,868). Reserves are held to fund the operations of the charity. At the end of 2017 a cash reserve equivalent of three months of operational cost had been achieved. The Board of Trustees believes that TFT should ultimately maintain a level of cash reserves equivalent to at least three months of operations. This policy is reviewed annually. These reserves would be used to ensure the organisation can operate in times of substantial income fluctuations or where expenditure on charitable activities could not or should not be scaled back in the short to medium term.

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 on page 9 (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 2017, Board meetings were held in February, May and September.

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Directors' report for the year ended 31 December 2017 *(continued)*

A thorough recruitment exercise is undertaken for the appointment of trustees, to ensure that any trustees recommended to the Board have the skills and experience required, complementing the current composition of the Board.

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. The following individuals were directors during the year:

Brent Wilkinson
Andrew Hewett
Eric Bouchet
Saskia Luutsche Ozinga
David Roth
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 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 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;

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Directors' report for the year ended 31 December 2017 (*continued*)

Statement of Trustees' responsibilities (*continued*)

- 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 prudent²;
- 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 Brent Wilkinson



Chairman

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 2017 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 and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; 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, which include a summary of significant accounting policies and other explanatory information.

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. 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
27th September 2018

Statement of financial activities (incorporating an income and expenditure account) for the year ended 31 December 2017

	Note	Unrestricted funds 2017 US\$	Restricted funds 2017 US\$	Total funds 2017 US\$	Total funds 2016 US\$
Incoming resources					
Member contributions		16,752,106	-	16,752,106	17,275,899
Grants received		-	1,309,725	1,309,725	958,369
Investment income:					
Other incoming resources		109,862	-	109,862	101,977
Total incoming resources		16,861,968	1,309,725	18,171,693	18,336,245
Resources expended					
Expenditure on raising funds:					
Fundraising costs	3	943,687	52,044	995,731	638,486
Marketing and publicity	4	1,441,870	79,517	1,521,387	1,669,144
		2,385,557	131,561	2,517,118	2,307,630
Charitable activities	5	12,971,298	1,428,085	14,399,383	13,734,160
Total resources expended		15,356,855	1,559,646	16,916,501	16,041,790
Net comprehensive income for the year	6	1,505,113	(249,921)	1,255,192	2,294,455
Net movement in funds		1,505,113	(249,921)	1,255,192	2,294,455
Fund balances brought forward at 1 January		6,932,160	449,708	7,381,868	5,087,413
Fund balances carried forward at 31 December		8,437,273	199,787	8,637,060	7,381,868

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 2017

	Note	2017 US\$	2016 US\$
Fixed assets			
Intangible assets	9	24,631	36,289
Tangible assets	10	217,868	309,481
Total Fixed assets		242,499	345,770
Current assets			
Debtors	11	5,454,283	4,671,554
Cash at bank and in hand		6,164,322	5,477,461
Total current assets		11,618,605	10,149,015
Creditors: Amounts falling due within one year	12	(3,224,044)	(3,112,917)
Net current assets		8,394,561	7,036,098
Total assets less current liabilities		8,637,060	7,381,868
Net assets		8,637,060	7,381,868
The funds of the charity			
Total income fund	15	8,637,060	7,381,868
Total charity funds		8,637,060	7,381,868

The financial statements and associated notes were approved, and authorised for issue, by the Board on September 27, 2018 and signed on its behalf by:



Brent Wilkinson
Chairman

Registered Number 3842323
Charity Number 1114277

Statement of Cash Flow for the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
Operating expenses			
Net cash inflow from operating activities	17	674,144	2,961,640
Investing:			
Interest income		1,778	2,816
Purchase of tangible fixed assets		(49,226)	(234,005)
Purchase of intangible fixed assets		(6,301)	-
Net Cash outflow from investing		(53,749)	(231,189)
Increase in cash and cash equivalents in the year	17	620,395	2,730,451
Cash and cash equivalents at the beginning of the year		5,477,461	2,935,072
Effects of exchange rates		66,466	(188,062)
Cash and cash equivalents at the end of the year		6,164,322	5,477,461

Notes to the financial statements for the year ended 31 December 2017

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 2017 *(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 2017 *(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 2017 *(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 (2016:\$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 2017 (continued)

4. Marketing and publicity

	2017 US\$	2016 US\$
Marketing	1,485,475	1,643,768
Publications	35,912	25,376
Total	1,521,387	1,669,144

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

	2017 US\$	2016 US\$
Salaries and social costs	6,289,406	5,958,912
External consultants	616,235	637,975
Governance costs	5,088,632	4,606,823
Operating costs	2,405,110	2,530,450
Total	14,399,383	13,734,160

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\$156,500 (2016: US\$ 137,000). Fees to the auditors for the statutory audit amounted to US\$36,000 (2016: US\$32,250) and non-audit fees amounted to US\$ (2016: US\$Nil). The operating lease charge for 2017 is US\$549,299 (2016: US\$446,519). The operating lease charge covers office rentals.

Notes to the financial statements for the year ended 31 December 2017 (continued)

7. Employee information

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

By location	2017 Number	2016 Number
Head office	70	66
SE Asia	149	156
Africa	28	31
Latin America	12	7
Total	259	260

Staff costs (for the persons above)	2017 US\$	2016 US\$
Wages and salaries	9,933,432	9,088,373
Social security costs	917,391	775,248
Other pension costs	493,752	554,676
Total	11,344,575	10,418,297

No directors received any remuneration from the charity during the year (2016: none). US\$1,464 (2016: US\$2,296) of expenses was reimbursed to 1 director (2016: 2 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 – Key Management	2017 Number	2016 Number
Between US\$140,000 and US\$149,999	1	1
Between US\$150,000 and US\$159,999	1	2
Between US\$160,000 and US\$169,999	1	0
Between US\$170,000 and US\$179,999	1	2
Between US\$180,000 and US\$259,999	1	1
Between US\$260,000 and US\$360,000	2	1

The key management personnel of the charity are 5 members of the Global Leadership Team, the Chief Executive Officer and the Founder. The total employee benefits of the group was \$1,454,600 (2016 \$1,464,214).

Notes to the financial statements for the year ended 31 December 2017 (continued)

Aggregate emoluments per annum – other Staff	2017 Number	2016 Number
Between US\$90,000 and US\$99,999	3	7
Between US\$100,000 and US\$109,999	2	3
Between US\$110,000 and US\$119,999	2	3
Between USD\$120,000 and USD\$129,999	0	1
Between USD\$130,000 and USD\$139,999	3	1
Between USD\$140,000 and USD\$189,999	1	0

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

	Computer Software US\$	Assets Under Construction US\$	Total US\$
Cost			
At 1 January 2017	829,017	3,149	832,166
Additions	6,301	-	6,301
At 31 December 2017	835,318	3,149	838,467
Accumulated amortisation			
At 1 January 2017	792,728	3,149	795,877
Charge for the year	17,959	-	17,959
At 31 December 2017	810,687	3,149	813,836
Net book value			
At 31 December 2017	24,631	-	24,631
At 31 December 2016	36,289	-	36,289

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

Notes to the financial statements for the year ended 31 December 2017 (continued)

10. Tangible assets

	Office equipment US\$	Total US\$
Cost		
At 1 January 2017	630,979	630,979
Additions	49,226	49,226
Disposals	(15,216)	(15,216)
At 31 December 2017	664,989	664,989
Accumulated depreciation		
At 1 January 2017	321,498	321,498
Charge for the year	138,569	138,569
Disposals	(12,946)	(12,946)
At 31 December 2017	447,121	447,121
Net book value		
At 31 December 2017	217,868	217,868
At 31 December 2016	309,481	309,481

11. Debtors

	2017 US\$	2016 US\$
Amounts falling due within one year:		
Trade debtors	4,116,729	3,689,318
Prepayments	230,718	211,556
Amount owed by employees	6,588	2,399
Other debtors	1,100,248	768,281
	5,454,283	4,671,554

Notes to the financial statements for the year ended 31 December 2017 (continued)

12. Creditors: amounts falling due within one year

	2017 US\$	2016 US\$
Trade creditors	391,042	313,886
Amount owed to employees	54,961	54,222
Accruals and deferred income (see note 13)	2,664,494	2,508,814
Taxation and social security	113,547	235,995
	3,224,044	3,112,917

13. Deferred income

	2017 US\$	2016 US\$
Opening balance	2,370,715	1,195,294
Incoming resources deferred in the year	7,558,889	7,306,823
Amounts released	(7,371,029)	(6,131,402)
Closing deferred income	2,558,575	2,370,715

Deferred income comprises of funds received for work to be carried out in 2018.

Notes to the financial statements for the year ended 31 December 2017 (continued)

14. Analysis of Assets and Liabilities between funds

	Restricted income fund	Unrestricted income fund	Total funds 2017	Total funds 2016
	US\$	US\$	US\$	US\$
Intangible assets	-	24,631	24,631	36,289
Tangible assets	-	217,868	217,868	309,481
Current assets:				
Debtors	128,451	5,325,832	5,454,283	4,671,554
Cash at bank and in hand	719,836	5,444,486	6,164,322	5,477,461
Current liabilities:				
Creditors: amounts falling due within one year	(648,500)	(2,575,544)	(3,224,044)	(3,112,917)
Balance at 31 December 2017	199,787	8,437,273	8,637,060	7,381,868

15. Total income fund

	Unrestricted income fund	Restricted income fund	Total funds
	US\$	US\$	US\$
Balance at 1 January 2017	6,932,160	449,708	7,381,868
Net movement in funds	1,505,113	(249,921)	1,255,192
Balance at 31 December 2017	8,437,273	199,787	8,637,060

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 2017 (continued)

16. Financial commitments

The total of future minimum lease payments on operating leases expiring:

	2017 US\$	2016 US\$
Other		
Operating leases due to expire		
Within one year	481,825	408,561
Between 2 to 5 years	1,113,671	1,147,929
After 5 years	413,174	463,651
Total	2,008,670	2,020,141
Plant and Machinery		
Operating leases due to expire		
Within one year	-	6,923
Between 2 to 5 years	29,039	-
Total	29,039	6,923

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 2017 (continued)

17. Notes to the Statement of Cash Flow

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

	2017	2016
	US\$	US\$
Surplus for the year	1,255,192	2,294,455
Interest received	(1,778)	(2,816)
Depreciation of tangible fixed assets	138,569	119,184
Amortisation of intangible fixed assets	17,959	17,816
Loss on disposals of tangible fixed assets	2,269	1,044
Increase in debtors	(782,729)	(841,184)
Increase in creditors	111,128	1,185,079
Foreign exchange (gain)/losses on cash	(66,466)	188,062
Net cash inflow from operating activities	674,144	2,961,640

Analysis and reconciliation of Net Funds

	2017	2016
	US\$	US\$
Cash at bank and in hand beginning of the year	5,477,461	2,935,072
Effect of exchange rates	66,466	(188,062)
Cash Flow movement	620,395	2,730,451
Cash at bank and in hand end of the year	6,164,322	5,477,461

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

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.

Annex 1: Supporters during 2017 (unaudited)

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

Charitable trusts

Maisons du Monde Foundation
 Prince Albert of Monaco Foundation
 Peace Nexus
 Waterloo Foundation

Organisations

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