

The Forest Trust

(A company limited by guarantee)

Registered Number 3842323

Charity Number 1114277

Annual Report

For the year ending 31 December 2015

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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
Andrew Hewett
Eric Bouchet
Maria Cattau-Livanos
Saskia Luutsche Ozinga
David Roth
Michel Troussier
Niels Hother Madsen (resigned March 2016)

Executive Director

Scott Poynton (from 1 January 2016, role changed to Founder)

CEO

Bastien Sachet (appointed 1 January 2016)

Secretary

Trethowans

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



Strategic report

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 strategy has led to a rapid growth in our size and impact in 2015. Our incoming resources increased to US\$15.9m, up over US\$2m on 2014. This growth was the result of a continued increase of palm oil members, a significant breakthrough in pulp and paper projects, building upon our diversification in new product areas. This rapid expansion happened despite a significant decrease in grant income. Indeed this was consequence of a strategic decision to focus more on member work. We continue to strengthen our reserves, from US\$3,621,324 in 2014 to US\$5,087,413 as at 31 December 2015. The performance of the business has been discussed further in the Director's report.

TFT is organised into three key teams:

Field Programme Team

Works on the ground in more than 20 countries, 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.

Financial risk management policy

Operating in more than 20 countries, TFT is exposed to foreign currency fluctuations. To minimise risk, TFT continuously seeks to match the currency of receivables and payables. Working with a large number of members and partners, our three 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



Brent Wilkinson

Chairman
September 28, 2016



Chairman's report

I am pleased to report another year of progress, extending our reach and strengthening our resources. Whereas 2014 saw a surge in new TFT members, 2015 marked further sharing of TFT's expertise with the launch of several new initiatives which aim to bring change to a larger scale. You can learn more about these initiatives later in this report. Their creation is very much in keeping with TFT's values. TFT Founder Scott Poynton's motivation has never been about getting every single global company to become a TFT member, he is very much driven to inspire them through TFT's work.

If a global leading brand decides to truly commit to change without becoming a TFT member then fantastic. We are not motivated at solely growing TFT's number of members – we are motivated to inspire change.

This is at the heart of what TFT does, and the more players who follow this course, the better the world becomes. This is because the challenges of deforestation and exploitation cannot be dealt with by one body alone. They cannot be solved by risk management or a one size fits all solution either. The approach has to be underpinned by a company's own values, not someone else's set of standards.

This theme is very much in keeping with Scott's book *Beyond Certification* which was published in 2015. While recognising that certification standards across a variety of industries have their place, the book explains that those relying solely on those certification schemes to create change risk stifling the innovation necessary to make that change actually happen. The book looks at how to implement more holistic, economically effective and durable systems, designed to better protect the environment and the people living and working in it.

This is highlighted by TFT's approach – called VT-TV, which is based on Values, Transparency, Transformation and Verification. TFT has been exploring and implementing this model with its members, who are changing the way they use raw materials, including charcoal, cocoa, palm oil, pulp and paper and stone.

Values, commitment and innovation - three words that have driven TFT forwards successfully and words which can very much be applied to all TFT staff, who I'd like to congratulate for another year of hard, really impressive work, without which the progress detailed in this report would not have been possible.

Finally, we have entered 2016 with a new CEO, Bastien Sachet, who has grown with TFT over the last 10 years and has been instrumental in shaping our culture and philosophy. Our



Chairman's report (continued)

evolution would not have been possible but for Scott's vision and energy over the last 17 years. Scott now steps back from an operational role to drive our holistic approach down new avenues, as TFT Founder. On behalf of the Board I would like to congratulate both Bastien and Scott on their new roles and look forward to the growing impact TFT will make over coming years to heal and make the world a better place.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Brent Wilkinson
Chairman



Directors' Report for the year ended 31 December 2015

The Directors, who act as Trustees for charitable purposes, present their report and the audited financial statements for the year ended 31 December 2015. 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).

Principle activities

TFT is a non-profit organisation which 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 2015

Here's a quick summary of some of the highlights of TFT's work in 2015. Further details and context follow further in the report.

Unprecedented supply chain transparency

Wilmar, the world's biggest palm oil trader, demonstrated unprecedented transparency by acting on its commitment to purchase only responsibly-sourced commodities to become the first industry player to publically list its palm oil mill suppliers in Indonesia and Malaysia on a dashboard website.

New initiative to support smallholder farmers

We launched Rurality, a new initiative to support and empower smallholder farmers. Many of the raw materials used in products every day are produced by smallholder farmers, but these farmers are often seen as almost helpless and in need of training and funding. By building on the market links TFT members have with smallholding farmers, Rurality believes it is possible to drive innovation in collaboration with farmers and to develop models that benefit farming communities and the rural environment.



Directors' report for the year ended 31 December 2015 (continued)

Practical guidance on how to identify forests

We were part of the steering group that developed The High Carbon Stock (HCS) Approach Toolkit, which provides practical guidance on how to identify forests for conservation. The toolkit was established to help companies implement their commitments to end deforestation in the supply chain, as well as meet their plantation development needs.

Meeting a skills shortage to bring change

We launched Centre of Social Excellence (CSE) Indonesia, which aims to replicate the success of CSE Africa. Countries rich in natural resources, like Indonesia, often have those resources extracted at the expense of local communities living in these areas. These communities are not always warned, consulted, or compensated about the development of this land. This is where the conflict can begin between various stakeholders. At present there is a shortage of trained professionals with the skills to mediate between these different groups of people. This is why CSE Indonesia is so vital.

Product groups

Here is a summary of what was done in each of the product groups we work in.

Charcoal

We help our members trace their charcoal back to its source. We work in nine countries with retailers, charcoal producers and importers, firstly helping them to set up responsible supply policies, and then working with them to implement those policies.

We use our Charcoal Control System on site assessments. It measures the changes made on the ground at sites and enables charcoal retailers and suppliers to demonstrate that their charcoal responsibly produced. During the course of 2014 and 2015 we visited 19 sites in 9 countries.

Throughout 2015, TFT tested French retailers' charcoal bags to determine the origin of the charcoal. We did this via collecting the information on bags themselves and performing a test to ascertain the density of the wood used to produce the charcoal. The density determines whether the wood is from a temperate or tropical region.

We found that the origin of the charcoal was declared on half of the bags tested. Through the density testing we found that out of these, 25% of bags did not come from the region declared. Rather than coming from European, temperate forests, we found that the charcoal was instead coming from tropical regions. TFT used the results of this study to shine a light



Directors' report for the year ended 31 December 2015 (continued)

on the misinformation being given to consumers and encourage retailers to put processes in place to prevent this from happening.

We are now looking to expand our charcoal work into other European countries and Brazil, the biggest charcoal producer in the world.

Cocoa

We announced our first cocoa member in February 2015, CÉMOI - France's biggest chocolate manufacturer. The aim of the membership is to achieve traceable cocoa to a responsible source. Much of the work is focused in Ivory Coast, which is the biggest cocoa producer in the world, representing 40% of world trade. The majority of chocolate manufacturers cannot trace the cocoa back to the source, buying instead from much further down the supply chain. This lack of transparency is hugely significant because cocoa in Ivory Coast is grown exclusively by smallholder farmers.

Smallholder farmers

There are around one million of them in the country and they need more support, so a big part of our work is to gain a thorough understanding of each farmer's way of life. We analyse this data, although our work is not limited to just research, it requires us to go deep into the bush, spending time on farm settlements and plantations because a successful harvest depends on the standard of a cocoa plantation, its quality and productivity, which needs constant nurturing and maintenance.

Challenges for farmers

Cocoa farmers need to improve the productivity of farms. One kilogram of cocoa sells for 1.5 Euros. We have found that many farmers are producing between 230-500 kilograms of cocoa per hectare. That yield needs boosting to something in the region of 1000 kilograms per hectare if they are to have a successful harvest. Having such a productivity is also a way to stop deforestation through expansion.

Harvest time

The cocoa harvest times in the Ivory Coast are between October and December, then again in June and July. These are the only two times during the year that farmers get paid. This can create problems – farmers have families to feed and they are often suspicious of paying the money they have earned into a bank, often because banks are far away from their villages.



Directors' report for the year ended 31 December 2015 (continued)

Successful harvest

A successful harvest is dependent on the standard of the plantation – it needs to be nurtured and maintained throughout the year. In order to achieve the sufficient quota of cocoa per hectare it is necessary for farmers to plant 1,320 cocoa plants per hectare. Some farmers hedge their bets – unsure that this quantity of crops will produce the desired results they plant a bigger number of plants – maybe as much as two or three thousand per hectare. But rather than produce more cocoa this method actually produces less.

Improving production

Cocoa needs light. If the plants are bunched too closely together, humid conditions are created and sickness to the plant results. Even with the sufficient number of plants, they need attention and space to grow healthily. They need cutting and pruning four times a year. Any dead branches must be removed from the plant to ensure a healthy crop.

This operation requires fully organising the farm's workforce. The state offers a form of support to farmers which we are complementing with our own work in the field. This has been well received. The close relationships we have made with farmers are crucial in the success of our work. It allows us to get to the very heart of the cocoa industry.

Reducing deforestation

Cocoa productivity is very low because of the planting conditions and the lack of proper maintenance, leaving most farmers looking for new land to expand the plantations. Farmers look for forest land because cocoa trees grow very quickly on forest soil. Providing farmers with the best variety of cocoa and supporting them to increase productivity will reduce the deforestation which has reached to date 200,000 hectares per year.

Palm oil

In 2010 we were told that traceability in palm oil was impossible. Back then, identifying palm oil sources was something only acquired through expensive segregation. But in 2015 our members were making rapid progress in tracing their palm oil back to the mill, building towards our shared goal of supply chain Transparency, the second stage in our VTTV (Values, Transparency, Transformation, Verification) model.

Although the traceability work itself does not constitute the transformation of the industry we are working towards, without that traceability and the information it brings transformation to scale would be virtually impossible.



Directors' report for the year ended 31 December 2015 (continued)

Transparency over the supply chain, as well as relevant information about any issues in the field, allows trust to be built between buyers and producers. This new relationship creates the fertile ground needed for transformation and can lead to important partnerships that improve environmental and social quality at every node of the supply chain.

Membership growth

Six new companies signed up as TFT palm oil members in 2016, committing to No Deforestation and No Exploitation in their supply chain.

Those new members were a mixture of brands, traders and producers:

- **Ecostore**, a New Zealand-based household products company
- **ADM**, one of world's biggest agricultural processors and food ingredient providers
- **Colgate and Palmolive**, global manufacturer of household, healthcare and personal products
- **Asian Agri (AA) and Apical**, one of Indonesia's largest palm oil exporters and suppliers
- **Groupe Rocher**, cosmetics company
- **Bunge**, global agribusiness

Unprecedented transparency

The year got off to a great start when Wilmar, the world's biggest palm oil trader, acting on its commitment to purchase only responsibly-sourced commodities, became the first industry player to publicly list its palm oil mill suppliers in Indonesia and Malaysia on its online dashboard. This level of transparency was unprecedented in the palm oil industry. In fact, it was ground-breaking in the wider agribusiness sector for an agribusiness to make what previously was considered commercially sensitive data freely available.

It led Glenn Hurowitz, then Chairman of Forest Heroes, to say: "No one has ever aimed for this level of transparency in agricultural commodities. Wilmar has more than 800 palm oil suppliers, so the company covers the bulk of the industry," stating that the dashboard could lead to real engagement between all stakeholders and in turn dramatically accelerate the transformation of the palm oil industry.



Directors' report for the year ended 31 December 2015 (continued)

ART (Aggregator, refinery, transformation) approach

We began to use the ART approach in 2015, which is designed to empower each node in the supply chain to take ownership of transformation. It also provides a framework to allow refiners, millers, and growers to collaborate on overcoming widespread challenges. The idea came about through our traceability to the mill work, when we observed that the palm oil supply chain generally resembles an hourglass shape. Upstream, thousands of plantations and mills supply a handful of refiners and aggregators of crude palm oil (CPO), who then process CPO into basic ingredients, or aggregate it for shipment to refineries in destination markets.

Traceability is vital for ART to work. Transforming a refinery's supply shed firstly requires knowing who is in it, so ART is dependent on mapping all mills and plantations supplying the refinery. But ART is not about visiting every mill supplying the aggregator; because around 50 to 200 mills supply one refinery. Nor is ART about segregating good suppliers from bad, as this allows little chance for plantations to change. Ultimately ART is about demonstrating and then spreading good practice – starting with mills, but progressing to plantations too.

For more details, go to TFT palm oil papers on our Transparency Hub

www.tft-transparency.org/palm-oil-papers/

Indian workshop

In September we hosted our second workshop in India, called *Building palm oil traceability and responsibility in India*. TFT members Mars, Nestlé and Reckitt Benckiser attended, as did some of the world's biggest palm oil suppliers, including Wilmar and Cargill, making it a great opportunity for those upstream and downstream in the palm oil supply chain to engage. To put the event into context, India is one of the world's largest importers of palm oil. Its 1.2 billion population consume 15% of global supply. Much of this is imported, with 95% of palm oil imports to India coming from Indonesia and Malaysia. Therefore India is in a position to play a leading role in encouraging a move towards more responsible palm oil production practices.

Addressing common misconceptions

Palm oil was once again in the mainstream news. It didn't always make for accurate reading. It did however provide us with the opportunity to publicly address two common misconceptions about palm oil. This began in June when France's ecology minister, Ségolène Royal, spoke on television to say people should stop eating Nutella because it's made with palm oil. Her rationale was based on palm oil plantations having replaced forests and therefore causing deforestation.



Directors' report for the year ended 31 December 2015 (continued)

Although true, her suggested boycott of Nutella exposed ignorance; firstly of the work TFT member Ferrero, which owns the Nutella brand, is doing to improve practices in palm oil; and also, of what it takes to improve the palm oil industry. Instantly dropping suppliers with bad practices will not help tackle deforestation. Engaging with those suppliers and supporting them to improve their practices will.

#Nutellagate was trending on Twitter soon after Royal's comments. WWF and Greenpeace defended Ferrero, highlighting how it has led the industry in cleaning up its act and goes much further than most competitors on responsible sourcing of palm oil. In the days that followed Royal apologised for her comments, saying she would flag up the progress Ferrero made with palm oil. The incident highlighted the need for the palm oil industry to communicate more effectively when it comes to explaining what responsible palm oil is.

Upholding what it is to be a TFT member

TFT has a member review process. We recognise that the work we do with members is challenging and unpredictable. Sometimes they will fail to achieve agreed work plan objectives, other times they will exceed them. Sometimes events on the ground overtake the work plans, which is something we know can result in operational reality departing from what was agreed under a work plan.

We do however take breaches of policy seriously. We demonstrated that when in May we suspended work with Golden Agri-Resources (GAR) on its upstream operations. The suspension did not apply to its downstream business, its refining and trading arm, which we began working with in early 2015 and progressed well throughout the year.

We drew up a time-bound action plan to help GAR get back on track in implementing its Forest Conservation Policy. As a result of GAR taking strong steps to meet this plan we re-engaged with them in November.

Regular updates on how GAR had met the criteria were posted on GAR's dashboard, www.goldenagri.com.sg/sustainable_dashboard.php

Find out more on GAR's page on our Transparency Hub

www.tft-transparency.org/member/gar/



Directors' report for the year ended 31 December 2015 (continued)

Pulp and paper

TFT has been working in pulp and paper (P&P) since 2011. Our work strives to bring transparency and traceability to supply chains, build capacity within our members and suppliers, identify risks related to environmental, social and legal factors, and drive improvement in practices in forests and factories.

TFT has also continued to work with TFT Member Nestlé on implementing their pulp and paper sourcing program in 13 different markets around the world, having expanded the work in 2015 to three additional markets: Mexico, Chile and Japan. TFT has also continued its hard work to support TFT Member Asia Pulp and Paper (APP) to strengthen the existing traceability system and implement their Forest Conservation Policy (FCP) in both Indonesia and China.

In Indonesia this has involved hundreds of TFT man-days in the field focused on:

- Identifying High Carbon Stock forest
- Using the identified High Conservation Value forests to build the sustainable forest management project
- Working to resolve social conflict, ongoing engagement with stakeholders and starting work to integrate the overlapping concerns into an Integrated Sustainable Forest Management planning process
- Strengthening the existing traceability system.

Although already a palm oil member, leading food retailer Delhaize began working with us on P&P as well. The work centres on aiming to source 100 percent responsibly-sourced wood fibers-based materials in its private brand products in their packaging and for its operational use. This started when TFT advised Delhaize on wood fibres policy and implementation. We focused on building the necessary tools such as training materials, questionnaires, analysis guidelines and reporting.

Global consumer company 3M, who are best known for the post-it note, became a TFT member in March, committing to the responsible procurement of pulp and paper products. Their commitment also includes tackling any social issues and applies to its entire pulp and paper supply chain.

To put this into context, they employ 88,000 staff and make more than 50,000 products in more than 70 countries, with more than 5,000 paper and packaging suppliers across Asia, Europe, and North and Latin America.



Directors' report for the year ended 31 December 2015 (continued)

Each of those suppliers has its own manufacturing facilities and supply chains, meaning implementing the work we are doing with 3M is extremely complex work. At the time of announcing membership 3M had already begun mapping its supply chain back to its harvest source, while evaluating the performance of its suppliers against new policy. The next step was to support 3M to engage with its direct and indirect suppliers, supporting them to set up their own responsible fibre sourcing programmes.

To find out more about our work in pulp and paper go to our Transparency Hub
<http://www.tft-transparency.org/product/pulp-paper/>

Stone

Our 2014 annual report anticipated that some sites the TFT Responsible Stone Programme (RSP) work with would achieve level one of the TFT Responsible Stone Guidelines (RSP) by 2015, and they did. The RSP aims to raise the standards of the stone industry. The mission is to ensure the sourcing of natural stone respects the environment and improves the lives of the people working in stone quarries and factories.

In order to achieve that our members have to take ownership of the progress of their sites and to help push when the speed of improvement stalls, as opposed to treating RSP as simply another form of certification. It's not simply about identifying problems, but working towards solutions.

Our work with members continues to be a collaboration, working on stone sites in order to provide support in terms of building capacity, providing sample documents – such as time sheets, pay records and contracts – and advice on health and safety and protective equipment. We regularly visit the sites, at first to assess the standards, then to help ensure the recommendations are implemented and that management understands what is required of them.

It is time consuming work, but progress is being made to change the industry. The most significant progress was when three stone factories (two in China and one in India) and a quarry in China achieved level one of the RSP. They were supported by TFT RSP members Beltrami, Stoneasy, Everfine, Aggregate Industries and Dekker Natuursteen (NL).

Whilst working on level one action plans sites put measures in place to improve work standards. These include the introduction of:

- Health and safety training
- First-aid training
- Safely installed electrical wiring



Directors' report for the year ended 31 December 2015 (continued)

- Sufficient safety measures on machinery
- Separate and hygienic toilet facilities for men and women
- Assessing the need for personal, protective equipment (PPE) and ensuring it is in place and used
- Maintaining records of payroll, sub-contractor payments, wage notification and age record of workers
- Child labour policy that states minimum worker age
- Employment policy that covers workers' rights

All sites play an part in the RSP. There is much to do. The sector is large and too many companies are not doing enough. But workers' conditions are improving and we are gaining supply chain transparency which will help us continue to improve conditions.

<http://www.tft-earth.org/resource-centre/guides-and-reports/>

<http://www.tft-transparency.org/product/stone/>

Sugar

We continued to support the Cameroonian sugar company SOSUCAM, with two additional visits focused around stakeholder engagement and labour management. We helped to shape SOSUCAM'S policy, putting in place employee and external grievances management, as well as health and safety procedures and improving internal and external communication. We carried out two field visits in 2015 and worked towards preparing an assessment to be carried out in early 2016 which will assess the progress SOSUCAM has made since we began working with them in 2012.

Wood (community forests)

Our work involves sustainable forest management practices, helping to improve member farmer livelihoods. We also create a social and communal business within communities, which is committed to source timber products from sustainably managed forests of their members. The goal is to create an institution owned by the community, managed by its representatives (management and board), where they follow their commitments to sustainable forest management, have strong local and international market connections and enough income to cover all costs.

This was the case in December with Dipantara, a local timber enterprise sourcing wood from community forests in the Gunung Kidul district of Central Java, Jogjakarta, Indonesia. Dipantara has now established itself as a confident and independent organisation, able to



Directors' report for the year ended 31 December 2015 (continued)

maintain the high standards required for socially and environmentally responsible wood production.

TFT had supported Dipantara to improve community forest management practices since 2007. That partnership has worked towards building a strong institution, supplying social and environmentally responsible wood produced by smallholder farmers to international markets. In 2012 the project became FSC certified. This was followed when Dipantara became SVLK Certified (Indonesia's Legality Assurance Scheme).

Another community forest group, Kostajasa, in Central Java, is on its way to become independent; Kostajasa's management is working to increase aspects of its forestry management and social knowledge, as well as business marketing.

Kostajasa financed an annual meeting of the cooperative's farmer members, who have an agreement to hold future annual meetings at different locations so as to ensure pro-active and consistent communication throughout the group. Such proactive communication with factories has already paid dividends – with Kostajasa increasing its wood sales in quarter three and four of 2015. A further community forest, also in Java, Apehral, is still in the process of establishing itself - building capacity for its leaders and members. TFT continues to support them to do so.

TFT SURE Technology

TFT SURE Technology comprises of two modules that support TFT and its members and clients by giving them the ability to record, monitor, review and store data. However, in 2015 we have seen many of our members moving towards their own in-house solutions

A major step forward in transparency was made during 2015 when Wilmar agreed to publish details of its refineries and mills on their dashboard. This move led other organisations to reveal similar information on their websites.

As part of our ongoing service we continually review the performance of the SURE Due Diligence System and ensure it is in line with the EU Timber Regulation. In 2015 we made changes to the internal algorithm that determines the relative legality of timber from the information provided by suppliers.

Almost 650 users are now active in SURE, declaring 750 timber supply chains which were used in 3,690 products in 2015. We believe that this growing volume of work, along with this continual system development, has a direct impact on in reducing deforestation.



Directors' report for the year ended 31 December 2015 (continued)

Rurality

In February we launched Rurality, a new initiative to support and empower smallholder farmers. Many of the raw materials used in products every day are produced by smallholder farmers, but these farmers are often seen as almost helpless and in need of training and funding. Rurality believes farmers are entrepreneurs and innovators, playing a critical role in global supply chains, and that recognising this is the starting point of a more successful approach to rural development. We want to work with the farmer before working with his crop.

Rurality will harness farmers' existing leadership potential and, using TFT's established market connections and technical expertise, help turn that potential into concrete, effective actions that will improve farmer livelihoods, increase supply chain resilience, and improve adaptability to climate change. Though they farm on small plots of land, smallholders' impact is enormous: Around 90% of the world's cocoa is produced by thousands of smallholders farming on less than five hectares of land. The multi-billion dollar palm oil supply chain sources 40% of its palm fruit from family farms. As a result global Brands are directly and indirectly connected to millions of farmers. By building on the market links TFT members have with smallholding farmers, Rurality believes it is possible to drive innovation in collaboration with farmers and to develop models that benefit farming communities and the rural environment. [TFT was pleased to welcome Nestlé as the first brand to support the Rurality initiative](#), in recognition of the key role family farmers play in its supply chains. Rurality's work with Nestlé will initially focus on smallholders who produce palm. For more information go to www.rurality.org

Centre of Social Excellence (CSE) Indonesia

The Centre of Social Excellence (CSE) Indonesia was launched in Jakarta in July. The CSE Indonesia is an initiative by TFT which builds the capacity to manage natural and social resources more responsibly. It provides training to companies, government, NGOs, graduates and community leaders, which makes them far better equipped to engage with stakeholders. These skills can be used to tackle the causes of potential conflict that land development can cause in thousands of villages throughout the country.

Why it is needed

When any land is developed for a concession it is vital that all stakeholders are taken into consideration. Countries rich in natural resources often have those resources extracted at



Directors' report for the year ended 31 December 2015 (continued)

the expense of local communities living in these areas. These communities are not always warned, consulted, or compensated about the development of this land. This is where the conflict can begin between various stakeholders. At present there is a shortage of trained professionals with the skills to mediate between these different groups of people. This is why CSE Indonesia is so vital.

How it works

CSE Indonesia aims to fill this skills shortage by providing various training programmes, courses and support focused on responsible natural and social resource management. It will be split between the following subjects:

- Responsible conflict resolution
- Intensive social affairs specialism training
- No exploitation

This will include participatory and conflict social mapping – a unique tool that TFT has used in Indonesia to enable indigenous and community populations to voice their concerns over the management of forests and plantations. CSE Indonesia aims to replicate the success of CSE Africa, which was launched in 2009. Although CSE Indonesia will work on a far bigger scale, offering a variety of different courses to suit the needs of different people. The newly learned skills CSE Indonesia will provide will empower practitioners and the organisations they work for to tackle the formidable social challenges faced today in Indonesia.

For more information, including video content, go to <http://cse-indonesia.org/>

High Carbon Stock (HCS) Approach Toolkit

We were part of the steering group that developed The High Carbon Stock (HCS) Approach Toolkit, which provides practical guidance on how to identify forests for conservation. The toolkit was established to help companies implement their commitments to end deforestation in the supply chains, as well as meet their plantation development needs.

The HCS Approach Toolkit has been developed by the HCS Approach Steering Group, a unique collaboration between major plantation companies with commitments to eliminate deforestation, along with NGOs and TFT. This includes Golden Agri-Resources, Asia Pulp and Paper, Wilmar International Limited, Greenpeace, Agropalma, WWF, the Forest People's Programme, Rainforest Action Network, and Unilever.

Established in Singapore in 2014, the Steering Group is working to oversee the governance and standardisation of the HCS Approach to achieve a halt to deforestation.

[Full HCS Approach Toolkit announcement press release](#)

[Download the HCS Approach Toolkit](#)



Directors' report for the year ended 31 December 2015 (continued)

Beyond Certification

In June TFT's founder Scott Poynton published a free-to-download book which argues the case for a new approach to solving social and environmental problems which goes beyond certification.

The book is called *Beyond Certification*. It explores whether certification can deliver urgently needed improvements to complex problems like deforestation and the exploitation of people. It reviews the positive aspects of certification, of which there are many, but argues that we can no longer afford to gloss over its failures.

Certification emerged from the 1992 Rio Earth Summit amidst great hope. Since then, despite many certification schemes in twenty-five industry sectors, the destructive and irresponsible exploitation of natural and human resources has grown worse.

The book assesses the following:

- The limits of round table certification illustrated with real, practical examples.
- The intricacies of the change process – how companies move from destructive to more responsible practices.
- How to implement more holistic, economically effective, durable systems to better protect people and the environment.

The alternative model offered by *Beyond Certification* is called VT-TV, which is based on Values, Transparency, Transformation and Verification. TFT has been exploring and implementing this model with over 70 companies and industries around the world. These companies are transforming the story of the raw materials they use, including wood, palm oil, pulp and paper, stone, charcoal, soy, beef, sugar, dairy, rubber, coffee, cocoa and coconut. Mining companies are also exploring this approach, and making decisions aligned with fundamental values and what they know to be right.

As a result, trust is now emerging as former combatants awake to the importance of working together. Land has been set aside for protection, worker rights and conditions improved and long-standing conflicts have been resolved as people confront their legacies. *Beyond Certification* does not claim that this VT-TV model is the only solution. Rather, it shows how new and seemingly radical thinking can catalyse positive change.

Future plans

In line with our VT-TV approach, our work over the last few years has focused mainly on the Value and Transparency stages of our model: supporting companies to articulate their own



Directors' report for the year ended 31 December 2015 (continued)

No Deforestation and No Exploitation Policies; mapping supply chains and developing traceability solutions. However, in the palm oil and Pulp & Paper industry in particular, we are now at a stage where practical solutions need to be found for Transformation and Verification.

TFT's answer to this evolution has been the creation of initiatives and tools that tackle different aspects of those challenges. For Transformation, after the mainstreaming of the HCS methodology and the launch of Rurality for smallholder engagement, we are now developing a landscape approach and broadening the reach of the CSE in Africa and Asia. With regards to Verification, we are looking to support the development satellites solutions as well as innovative ways for civil society to engage in the monitoring of companies commitments on the ground.

Many of those initiatives are in their starting phase and require intensive collaboration and co-design with both our leading members and external partners. It is our hope that in time those innovation will adopted by our Members and many other companies looking for practical ways to accelerate change in their supply chain for the benefit of people and nature. In this way TFT has the ambition of increasingly taking the role of incubator of new solutions and catalyst of chain reactions at a large scale



Directors' report for the year ended 31 December 2015 (continued)

Results for the year

The Statement of Financial Activities shows a net increase in funds of US\$1,466,089 (2014: increase of US\$1,283,705)

Reserves policy

As of 31 December 2015, TFT had a net reserve of US\$5,087,413 (2014: US\$3,621,324). Reserves are held to fund the operations of the charity and The Board of Trustees believes that the 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 consists of 7 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 2015, 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. The following individuals were directors during the year:

Brent Wilkinson
Andrew Hewett
Eric Bouchet
Niels Hother Madsen (resigned March 2016)
Maria Cattau-Livanos
Saskia Luutsche Ozinga
David Roth
Michel Troussier



Directors' report for the year ended 31 December 2015 (continued)

The Directors have taken into consideration the Charity Commission guidance on public benefit.

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 regulations.

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law).

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 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;
- make judgements and accounting estimates that are reasonable and prudent;



Directors' report for the year ended 31 December 2015 (continued)

- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the charitable company's shareholders in writing about the use, if any, of disclosure exemptions in FRS 102 in the preparation of 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.

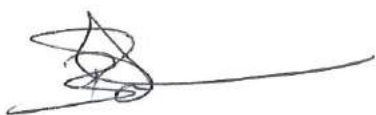
The trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

September 28, 2016



Independent auditors' report to the members of The Forest Trust

Report on the financial statements

Our 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 2015 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.

What we have audited

The financial statements, included within the Annual Report (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of financial activities and the summary income and expenditure account for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.



Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 23, the trustees 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) ("ISAs (UK & 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 and trustees 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.



What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 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.

We primarily focus our work in these areas by assessing the trustees' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
29 September 2016

- (a) The maintenance and integrity of The Forest Trust website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.





Statement of financial activities (incorporating an income and expenditure account) for the year ended 31 December 2015

	Note	Unrestricted funds 2015 US\$	Restricted funds 2015 US\$	Total funds 2015 US\$	Total funds 2014 US\$
Incoming resources					
Donations		15,617,000	-	15,617,000	13,068,356
Grants received		-	256,544	256,544	431,984
Investment income:					
Other incoming resources		31,258	-	31,258	10,436
Total incoming resources		15,648,258	256,544	15,904,802	13,510,776
Resources expended					
Expenditure on raising funds:					
Fundraising costs	3	308,062	5,050	313,112	180,149
Marketing and publicity	4	1,484,686	24,341	1,509,027	1,074,791
		1,792,748	29,391	1,822,139	1,254,940
Charitable activities	5	12,393,593	222,981	12,616,574	10,972,131
Total resources expended		14,186,341	252,372	14,438,713	12,227,071
Net comprehensive income/(expenditure) for the year	6	1,461,917	4,172	1,466,089	1,283,705
Net movement in funds		1,461,917	4,172	1,466,089	1,283,705
Fund balances brought forward at 1 January		3,532,009	89,315	3,621,324	2,337,619
Fund balances carried forward at 31 December		4,993,926	93,487	5,087,413	3,621,324

Comparatives for 2014 have been restated under the Charities SORP (FRS 102). See note 2 for details.

All incoming resources and resources expended are derived from continuing activities. There are no other forms of comprehensive income. The notes on pages 32 to 47 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.

Balance sheet as at 31 December 2015

	Note	2015 US\$	2014 US\$
Fixed assets			
Intangible assets	9	54,105	615,357
Tangible assets	10	195,704	136,819
Total Fixed assets		249,809	752,176
Current assets			
Debtors	11	3,830,370	2,208,596
Cash at bank and in hand		2,935,072	2,692,968
Total current assets		6,765,442	4,901,564
Creditors: Amounts falling due within one year	12	(1,927,838)	(2,032,416)
Net current assets		4,837,604	2,869,148
Total assets less current liabilities		5,087,413	3,621,324
Net assets		5,087,413	3,621,324
The funds of the charity			
Total income fund	15	5,087,413	3,621,324
Total charity funds		5,087,413	3,621,324

The financial statements and associated notes were approved, and authorised for issue, by the Board on September 28, 2016 and signed on its behalf by:



Brent Wilkinson

Chairman

Registered Number 3842323

Charity Number 1114277

Statement of Cash Flow as at 31 December 2015

	Note	2015 US\$	2014 US\$
Operating expenses			
Net cash inflow from operating activities	17	321,062	2,088,168
Investing:			
Net cash inflow from financial activities		4,597	2,181
Purchase of tangible fixed assets		(149,005)	(93,905)
Purchase of intangible fixed assets		-	(84,648)
Net Cash outflow from investing		(144,408)	(176,372)
Increase/(decrease) in cash and cash equivalents in the year	17	176,654	1,911,796
Cash and cash equivalents at the beginning of the period		2,692,968	875,090
Effects of exchange rates		65,450	(93,918)
Cash and cash equivalents at the end of the period		2,935,072	2,692,968

Notes to the financial statements for the year ended 31 December 2015

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 donation and income deriving there from 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 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 for charities. 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.

Notes to the financial statements for the year ended 31 December 2015

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 or five years on a straight line basis depending on the nature of the asset.

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

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.

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.

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 costs relate to the SURE technology system, on the basis that many of our members are moving towards using

Notes to the financial statements for the year ended 31 December 2015 (continued)

their own in-house systems, and we now expect that fees from users of the SURE system will approximate the costs of maintaining it.

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.

Critical accounting judgements and estimation uncertainties

In the application of the charity's accounting policies, described in note 1, 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. The Trustee representatives do not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure.

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.

Notes to the financial statements for the year ended 31 December 2015 (continued)

Operating leases

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

Pension costs

The company pays into three defined contributions 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 (2015:\$nil).

Notes to the financial statements for the year ended 31 December 2015 (continued)

2. 2014 Comparative figures – Statement of Financial Activities

	Unrestricted funds 2014 US\$	Restricted funds 2014 US\$	Total funds 2014 US\$
Incoming resources			
Voluntary income:			
Donations	13,068,356	-	13,068,356
Grants received	-	431,984	431,984
Investment income:			
Bank interest received	2,181	-	2,181
Other incoming resources	8,255	-	8,255
Total incoming resources	13,078,792	431,984	13,510,776
Resources expended			
Costs of generating funds:			
Fundraising costs	174,389	5,760	180,149
Marketing and publicity	1,040,426	34,365	1,074,791
	1,214,815	40,125	1,254,940
Charitable activities	10,441,013	531,118	10,972,131
Total resources expended	11,655,828	571,243	12,227,071
Net income/(expenditure) for the year	1,422,964	(139,259)	1,283,705
Net movement in funds	1,422,964	(139,259)	1,283,705
Fund balances brought forward at 1 January	2,109,045	228,574	2,337,619
Fund balances carried forward at 31 December	3,532,009	89,315	3,621,324

Comparatives for 2014 have been restated under the Charities SORP (FRS 102) to reallocate \$2.1m which was previously disclosed as governance costs, to charitable activities.

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.

4. Marketing and publicity

	2015	2014
	US\$	US\$
Marketing	1,484,686	1,029,249
Publications	24,341	45,542
Total	1,509,027	1,074,791

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

	2015	2014
	US\$	US\$
Salaries and social costs	5,434,072	5,346,768
External consultants	497,601	666,650
Governance costs	3,639,709	2,144,933
Operating costs	3,045,192	2,813,780
Total	12,616,574	10,972,131

6. Net income/expenditure for the year

The balance transferred to the general unrestricted funds and the restricted growth fund for the year is stated after charging depreciation and amortisation of US\$208,843 (2014: US\$ 190,154). Fees to the auditors for the statutory audit amounted to US\$44,645 (2014: US\$42,042) and non-audit fees amounted to US\$5,813 (2014: US\$Nil). The operating lease charge for 2015 is US\$388,653 (2014: US\$309,700). The operating lease charge covers office rentals.

7. Employee information

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

By location	2015	2014
	Number	Number
Head office	57	32
SE Asia	146	110
Africa	34	8
Latin America	4	5
Total	241	155

Staff costs (for the persons above)	2015	2014
	US\$	US\$
Wages and salaries	7,641,770	6,523,314
Social security costs	661,395	798,014
Other pension costs	461,294	229,056
Total	8,764,459	7,550,384

No directors received any remuneration from the charity during the year (2014: none). US\$3,978 (2014 US\$3,655) of expenses was reimbursed to 3 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	2015	2014
	Number	Number
Between US\$120,000 and US\$135,000	1	2
Between US\$150,000 and US\$165,000	2	1
Between US\$165,000 and US\$180,000	2	2
Between US\$195,000 and US\$210,000	1	0
Above US\$395,000 and US\$410,000	1	1

Aggregate emoluments per annum – other Staff	2015	2014
	Numbe	Number
Between US\$90,000 and US\$105,000	6	0
Between US\$105,000 and US\$120,000	4	4
Between US\$120,000 and US\$135,000	2	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 2015	829,017	3,149	832,166
At 31 December 2015	829,017	3,149	832,166
Accumulated amortisation			
At 1 January 2015	216,809	-	216,809
Charge for the year	120,757	-	120,757
Impairment	437,346	3,149	440,495
At 31 December 2015	774,912	3,149	778,061
Net book value			
At 31 December 2015	54,105	-	54,105
At 31 December 2014	612,208	3,149	615,357

Costs amortised relate to the charity's accounting software. Impairment costs relate to the SURE technology system.

10. Tangible assets

	Office equipment US\$	Total US\$
Cost		
At 1 January 2015	302,515	302,515
Additions	149,005	149,005
Disposals	(45,818)	(45,818)
At 31 December 2015	405,702	405,702
Accumulated depreciation		
At 1 January 2015	165,696	165,696
Charge for the year	88,086	88,086
Disposals	(43,784)	(43,784)
At 31 December 2015	209,998	209,998
Net book value		
At 31 December 2015	195,704	195,704
At 31 December 2014	136,819	136,819

11. Debtors

	2015 US\$	2014 US\$
Amounts falling due within one year:		
Trade debtors	2,734,510	1,771,433
Prepayments and accrued income	226,585	134,613
Amount owed by employees	10,662	8,259
Other debtors	858,613	294,291
	3,830,370	2,208,596

Notes to the financial statements for the year ended 31 December 2015 (continued)

12. Creditors: amounts falling due within one year

	2015	2014
	US\$	US\$
Trade creditors	390,803	297,765
Amount owed to employees	36,065	38,392
Accruals and deferred income (see note 13)	1,374,949	1,640,197
Taxation and social security	126,021	56,062
	1,927,838	2,032,416

13. Deferred income

	2015	2014
	US\$	US\$
Opening balance	1,543,651	772,743
Incoming resources deferred in the year	4,664,525	6,069,748
Amounts released	(5,012,882)	(5,298,840)
Closing deferred income	1,195,294	1,543,651

Deferred income comprises of funds received for work to be carried out in 2016.

14. Analysis of Assets and Liabilities between funds

	Restricted income fund US\$	Unrestricted income fund US\$	Total funds 2015 US\$	Total funds 2014 US\$
Intangible assets	-	54,105	54,105	615,357
Tangible assets	-	195,704	195,704	136,819
Current assets:				
Debtors	28,203	3,802,167	3,830,370	2,208,596
Cash at bank and in hand	109,124	2,825,948	2,935,072	2,692,968
Current liabilities:				
Creditors: amounts falling due within one year	(43,840)	(1,883,998)	(1,927,838)	(2,032,416))
Balance at 31 December 2015	93,487	4,993,926	5,087,413	3,621,324

15. Funds

	Unrestricted income fund US\$	Restricted income fund US\$	Total funds US\$
Balance at 1 January 2015	3,532,009	89,315	3,621,324
Net movement in funds	1,461,917	4,172	1,466,089
Balance at 31 December 2015	4,993,926	93,487	5,087,413

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

16. Financial commitments

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

	2015	2014
	US\$	US\$
Other		
Operating leases due to expire		
Within one year	283,361	169,679
Between 2 to 5 years	812,525	252,784
After 5 years	619,651	1,629
Total	1,715,537	424,092
Plant and Machinery		
Operating leases due to expire		
Within one year	17,206	17,216
Between 2 to 5 years	7,169	24,390
Total	24,375	41,606

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

17. Notes to the Cash Flow Statement

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

	2015 US\$	2014 US\$
Surplus for the year	1,466,089	1,283,705
Interest received	(4,597)	(2,181)
Depreciation of tangible fixed assets	88,086	74,790
Amortisation of intangible fixed assets	120,757	115,364
Loss on disposals of tangible fixed assets	2,034	64,100
Impairment of intangible fixed assets	440,495	-
Increase in debtors	(1,621,774)	(154,936)
(Decrease)/increase in creditors	(104,578)	613,408
Foreign exchange gains/losses on operating activities	(65,450)	93,918
Net cash outflow/inflow from operating activities	321,062	2,088,168

Analysis and reconciliation of Net Funds

	2015 US\$	2014 US\$
Cash at bank and in hand beginning of the year	2,692,968	875,090
Effect of exchange rates	65,450	(93,918)
Cash Flow movement	176,654	1,911,796
Cash at bank and in hand end of the year	2,935,072	2,692,968

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.

21. Transition to Charities SORP (FRS 102)

This is the first year that the Charitable Company has presented its results under FRS102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2015.

The Balance Sheet now presents total funds and the restricted/unrestricted split is given in note 14. The only other adjustment to the Balance Sheet as a result of this transition is the reclassification of software from tangible to intangible assets. This increases the brought forward net book value of intangible assets and decreases the brought forward net book value of tangible assets by US\$71,514. This includes the reallocation to intangible assets of the prior year depreciation charge of US\$17,315 previously included within tangible assets.

Operating leases (note 17) have been restated to show total, rather than annual, future lease commitments, in line with SORP (FRS 102).

Governance costs are now presented within Charitable Activities, and not separately on the face of the SoFA. There is no other transition impact to the SoFA and therefore no impact on total funds held by the Charity.

Annex 1: Supporters during 2015 (unaudited)

3M	Delhaize Group SA	Natura
ADEO	E-Bony	Natures Organics
Aggregate Industries	Eurosten	NBPOL
Alinea	Everfine	Neste Oil
Anavil Company Ltd.	Ferrero	Nestle
Arctic Kvartsit	Florin AG	NEXT Retail Ltd
ARTE	Gebr Voets	ProFairtrade - Ceres Food
Asia Pulp and Paper	Golden Agri Ressources	PZ Cussons
Auchan	Golden Veroleum Limited	Reckitt Benckiser
B&Q	Hershey's	S2udio PTY Ltd
Betrami	Hoogenburg	Sainsbury's
BNP Paribas	Huilerie Moderne D'Abidjan	Soboplac
Brico depot	Intercement	Sony
Carbonex	Jardiland	Sosucam
Cargill	Johnson & Johnson	System U
Casino	Jysk Group	Sysco Inc.
Castorama	La Forestiere du Nord	TBI
Cemoi	Leclerc	Truffaut
Cerelia	Leroy Merlin	Vandermoortele
Colgate-Palmolive	Les Mousquetaires	Weber
CORA	Maisons du Monde	Weldom
Crate & Barrel	Mars	Wilmar
Danone	M-OB	
Dekker	Mr. Bricolage	

Charitable trusts

Fondation Ensemble
 Prince Albert of Monaco Foundation
 Synchronicity Earth
 Waterloo Foundation

Organisations

Climate and Land Use Alliance
 KfW
 The Nature Conservancy