

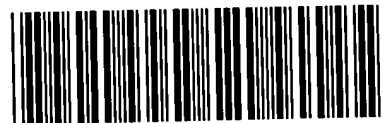
Company Registration Number 02949366

**People Tree Limited**

**Annual report**

**31 December 2016**

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**People Tree Limited**

**Annual report**

**Year ended 31 December 2016**

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**People Tree Limited**

**Company Information**

**Year ended 31 December 2016**

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**The board of directors**

S Minney  
J Minney

**Company secretary**

T Minney

**Registered office**

16 - 18 Heneage Street  
London  
E1 5LJ

**Auditor**

Moore Stephens LLP  
Chartered Accountants and Statutory Auditor  
150 Aldersgate Street  
London  
EC1A 4AB

**Bankers**

Co-Operative Bank  
Business Customer Services  
PO Box 250  
Skelmersdale  
WN8 6WT

## **People Tree Limited**

### **Directors' report**

#### **Year ended 31 December 2016**

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The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

##### **Principal activities**

The principal activity of the company during the year continued to be that of Fair Trade fashion retailing, i.e. designing, procuring and selling Fair Trade fashion and fashion-related products.

People Tree's mission is to create long-term livelihoods for disadvantaged artisans and producers in developing countries. There has been a steady increase over the years in public awareness in the UK and Europe of issues around livelihoods and economic injustice. More of the mainstream fashion companies are aware of the consumer demand and popular pressure for ethical fashion and in 2016 launched a number of sustainable initiatives and promotions.

##### **Trading review**

The markets of the company are primarily UK and Europe. Germany continues to be our largest European market. During the year economic growth in UK slowed to 1.8%, down from 2.3% in 2015. European growth was slower at 1.7%. The currency market experienced turbulence from the UK's decision to leave the European market in June 2016, with sterling significantly weakened.

At the end of 2015 and beginning of 2016 the company went through a period of re-organisation, where a new CEO was brought in and significant operational cost efficiencies were implemented. Despite tough trading conditions, in 2016 company sales were up 1.5% (from £2.83 million in 2015 to £2.87m in 2016). Gross profit was £1.62m (before exceptionals), up 3% (£1.57m in 2015).

Distribution costs were reduced by 9.3% (to £629,036) and administration costs reduced by 1.7% (to £1.59m). These savings incorporated £416,000 of operational cost reductions which were partially offset by foreign exchange charges relating to the weakened pound (£291,532) and the resulting costs associated with the revaluation of the company's US dollar and Swiss Franc loans.

The company also posted exceptional charges of £241,081 in the year. The exceptional costs related to: (a) exceptional discounting (on-line and through wholesale clearance deals) resulting from significant delays in spring/summer product deliveries due to cash constraints in early 2016, and (b) the legal and financial expenses associated with the company re-structure.

For 2016, the company made an operating loss of £293,077 (2015: £301,634). After interest charges of £203,778, the net loss for 2016 was £496,849 (a 3% improvement on the 2015 loss of £511,625).

##### **Principal risks and uncertainties**

The principal areas of uncertainty faced by the company include weak consumer confidence and demand in UK and Europe, as well as ever-increasing competition and market discounting. In addition the business environment and technology are changing fast, including sales and marketing channels. The retail market in the UK and Europe remains challenging. Economic and political instability surrounding Brexit continues to be a risk. There remains risks around our supply chain due to the nature of the political, social and geographical environments where they operate (in India, Nepal, Kenya and Bangladesh).

##### **Research and development**

Designing and marketing quality, exciting and competitively-priced products and the know-how to produce these reliably and to high quality in disadvantaged communities are essential to the mission and to the future growth of People Tree. The company employs experienced professionals in garment technology, production management, design and quality management in order to develop these areas. The company works with People Tree Foundation and People Tree Fair Trade Group Ltd and with other group companies, allocates significant resources to developing and improving all aspects of production, from growing organic Fair Trade cotton to final production of top quality garments and handicrafts in the context of Fair Trade small-scale artisanal operations in developing countries; with their products able to compete with the latest fashion offerings in a wide range of mid-market stores and outlets.

## **People Tree Limited**

### **Directors' report (continued)**

**Year ended 31 December 2016**

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#### **Future outlook**

The company has a clear vision for growth. Focus will be on increasing the wholesale market through taking on new key accounts and moving into currently untapped markets, such as the USA. There will be a continued improvement in ecommerce growth through website developments and an increased focus on digital marketing. The company will continue to work with producers to create efficiencies in process but also look to new producers to diversify the fabric and product range and reduce risk of supply.

#### **Key performance indicators**

The company uses key performance indicators to monitor operational and financial progress against the strategic goals. These include sales, gross profit, administrative expenses, EBITDA and cash flow.

Product development and sourcing are undertaken very differently from the prevailing custom in the fashion industry. People Tree maintains strong ongoing relationships with producer partners and provides capacity-building and development support, including to groups in rural areas with limited infrastructure and complying with Fair Trade principles. Consequently, the Company's cost structure is high relative to the current scale of the business and includes a large component of fixed costs. Secondly, the Company has high borrowings sourced at a significant cost of finance.

The Company regularly monitors its social, environmental and development impact, including surveys of producers and monitoring how many jobs and other benefits they enjoy, as well as feedback from customers, who are keen to support Fair Trade.

#### **Directors**

The directors who served the company during the year were as follows:

Mrs S Minney  
Mr J Minney

#### **Going concern**

The accounts have been prepared on a going concern basis which assumes the continuing support of the founders Safia and James Minney, who are also the directors, and the continuing support of the creditors of the company as disclosed in notes 12 and 13. The directors have based this opinion on budgets and forecasts which they have prepared, and on continual monitoring of the Company's financial position.

In the opinion of the directors, there is sufficient funding available to meet its trading requirements for the foreseeable future. This opinion is based in part on the directors' assessment of the likelihood of success of initiatives in hand to raise additional finance and to renegotiate existing debt facilities. These financial statements do not include any adjustments that might be required if the application of the going concern basis proves to be inappropriate.

## **People Tree Limited**

### **Directors' report (continued)**

**Year ended 31 December 2016**

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#### **Directors' responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors 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 company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditor**

Moore Stephens LLP has been re-appointed in accordance with section 487 of the Companies Act 2006.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **Small company provisions**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Signed on behalf of the directors



Mr J Minney

Director

Approved by the directors on 7 July 2017

## **People Tree Limited**

### **Independent auditor's report to the shareholders of People Tree Limited**

#### **Year ended 31 December 2016**

We have audited the financial statements of People Tree Limited for the year ended 31 December 2016 which are set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and Section 1A "Small Entities" of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Emphasis of matter - going concern**

In forming our opinion, we have considered the reasonableness of the disclosures made in note 2 to the financial statements indicating that the financial statements have been prepared on the going concern basis. This assumes that the company will continue to generate sufficient funds from the issuance of new, and renegotiation of existing, debt to support the company's trading activities and enable the company to service third party debt in accordance with agreed repayment schedules. These conditions indicate the existence of material uncertainties which may affect the company's ability to continue as a going concern. In view of the significance of this, we consider that the disclosure should be brought to your attention. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Our opinion is not qualified in this respect.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

**People Tree Limited**

**Independent auditor's report to the shareholders of People Tree Limited (continued)**

**Year ended 31 December 2016**

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

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

*Moore Stephens LLP*

**Gareth Jones, Senior Statutory Auditor**

**For and on behalf of Moore Stephens LLP, Statutory Auditor**

**150 Aldersgate Street  
London  
EC1A 4AB**

*14 July 2017*



**People Tree Limited**

**Statement of comprehensive income**

**Year ended 31 December 2016**

	<b>2016</b>	<b>2015</b>
	<b>Note</b>	
	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2,873,811</b>	<b>2,831,412</b>
<b>Cost of sales</b>	<b>(1,253,551)</b>	<b>(1,254,298)</b>
Discounts due to late delivery of stock	6 (159,968)	—
	<b>(1,413,519)</b>	<b>(1,254,298)</b>
<b>Gross profit</b>	<b>1,460,292</b>	<b>1,577,114</b>
<b>Distribution costs</b>	<b>(629,036)</b>	<b>(693,163)</b>
<b>Administrative expenses</b>	<b>(1,593,444)</b>	<b>(1,621,033)</b>
Financing costs	6 (72,008)	(39,776)
Staff restructuring costs	6 (9,105)	(75,000)
	<b>(1,674,557)</b>	<b>(1,735,809)</b>
<b>Other operating income</b>	<b>550,224</b>	<b>550,224</b>
<b>Operating loss</b>	<b>5 (293,077)</b>	<b>(301,634)</b>
Interest receivable	6 58	58
Interest payable and similar charges	(203,778)	(210,049)
	<b>(496,849)</b>	<b>(511,625)</b>
<b>Loss on ordinary activities before taxation</b>	<b>(496,849)</b>	<b>(511,625)</b>
Tax on loss on ordinary activities	8 —	—
<b>Loss for the financial year and total comprehensive expense</b>	<b>(496,849)</b>	<b>(511,625)</b>

The notes on pages 10 to 19 form part of these financial statements.

**People Tree Limited**

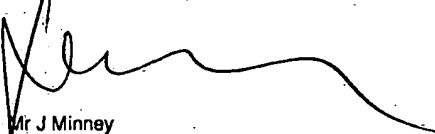
**Statement of financial position**

**As at 31 December 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	9	14,522	18,610
Tangible assets	10	18,272	24,556
		<u>32,794</u>	<u>43,166</u>
<b>Current assets</b>			
Stocks		376,577	433,481
Debtors	11	283,689	259,643
Cash at bank		9,873	53,648
		<u>670,139</u>	<u>746,772</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>1,400,490</u>	<u>1,279,093</u>
<b>Net current liabilities</b>		<u>(730,351)</u>	<u>(532,321)</u>
<b>Total assets less current liabilities</b>		<u>(697,557)</u>	<u>(489,155)</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>4,169,367</u>	<u>3,880,920</u>
		<u>(4,866,924)</u>	<u>(4,370,075)</u>
<b>Capital and reserves</b>			
Called up equity share capital	15	600,000	600,000
Retained deficit		<u>(5,466,924)</u>	<u>(4,970,075)</u>
<b>Deficit</b>		<u>(4,866,924)</u>	<u>(4,370,075)</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with Section 1A "Small Entities" of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

These financial statements were approved by the directors and authorised for issue on 7 July 2017, and are signed on their behalf by:



Mr J Minney

Company Registration Number: 02949366

The notes on pages 10 to 19 form part of these financial statements.

**People Tree Limited**

**Statement of changes in equity**

**As at 31 December 2016**

	Called up share capital £	Retained deficit £	Total £
<b>At 1 January 2015</b>	600,000	(4,458,450)	<b>(3,858,450)</b>
Loss for the year	-	(511,625)	<b>(511,625)</b>
<b>At 1 January 2016</b>	600,000	(4,970,075)	<b>(4,370,075)</b>
Loss for the year	-	(496,849)	<b>(496,849)</b>
<b>At 31 December 2016</b>	<u>600,000</u>	<u>(5,466,924)</u>	<u><b>(4,866,924)</b></u>

Called up share capital - This reserve records the nominal value received for shares issued.

Retained deficit - This reserve records retained earnings and accumulated losses.

**The notes on pages 10 to 19 form part of these financial statements.**

## **People Tree Limited**

### **Notes to the financial statements**

**Year ended 31 December 2016**

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#### **1. General information**

People Tree Limited is a private company limited by shares incorporated in the United Kingdom (registered number 02949366). The address of the registered office is given in the company information on page 1. The principal activity of the Company is Fair Trade fashion retailing, i.e. designing, procuring and selling Fair-Trade fashion related products. The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **2. Accounting policies**

##### **Basis of preparation and statement of compliance**

The financial statements have been prepared under the historical cost convention and in accordance with Section 1A "Small Entities" of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company transitioned from previous UK GAAP to FRS 102 as at 1 January 2015. These are the Company's first set of financial statements prepared in accordance with FRS 102. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 18.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **Going Concern**

As explained in the Directors' report, the accounts have been prepared on a going concern basis which assumes the continuing support of the founders Safia and James Minney, who are also the directors, and the continuing support of the creditors of the company as disclosed in notes 12 and 13. The directors have based this opinion on budgets and forecasts which they have prepared, and on their continued monitoring of the company's financial position. They have re-negotiated some of the existing debts, and are in the process of raising additional funds, to meet anticipated working capital needs for the foreseeable future.

In the preparation of budgets and forecasts, the directors have had regard to the company's performance in 2017, which is ahead of budget, and the directors expect that the resulting improved cash generation will continue to deliver a helpful cash outcome for the company.

Furthermore, the directors have been in negotiation with the company's principal suppliers, who have agreed to continue to supply goods on more favourable payment terms, reducing the need for advance payments which have been made historically, and are willing to continue to do so for the foreseeable future.

The directors have taken into consideration their own willingness to convert their debt into equity and further that the key external providers of finance have provided payment holidays on its facilities of both capital and interest to 30 June 2018. With the exception of Oikocredit, there are no specific conditions to be met by the entity for these payment holidays.

In the case of Oikocredit, they have agreed to a payment holiday on both the principal and interest elements of their loan to 30 June 2018, but they reserve the right to terminate or amend the terms of this payment holiday at any time if one of the following events occurs:

- no new investor commits in writing to invest in the company or its parent undertaking
- no new lender approves in writing new funding for the entity or its parent undertaking
- the majority shareholder makes any decision that Oikocredit deems to have a material adverse effect on the viability of the entity or its parent undertaking

In the opinion of the directors, there is sufficient funding available to meet its trading requirements for the foreseeable future. This opinion is based in part on the directors' assessment of the likelihood of success of initiatives in hand to raise additional finance and the rescheduled debt facilities. These financial statements do not include any adjustments that might be required if the application of the going concern basis proves to be inappropriate.

## People Tree Limited

### Notes to the financial statements (continued)

Year ended 31 December 2016

#### 2. Accounting policies (continued)

##### Turnover

The turnover shown in the statement of comprehensive income represents the value of goods supplied to customers during the year, exclusive of Value Added Tax. Turnover is recognised when the risks and rewards of ownership of products sold have passed on to the customer.

##### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

##### Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all material timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

##### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

##### Intangible assets and amortisation

Website development costs are capitalised in the year the expenditure is incurred. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Website development                      5 years straight line

##### Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

##### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer Equipment                      25% reducing balance or 5 year straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

##### Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

##### Stock

Stock is stated at the lower of cost and estimated selling price. Cost is the actual purchase cost including, where appropriate, inwards carriage using the first in first out method. Selling price is the price at which the stock can be realised in the normal course of business. Provision is made for slow moving stocks.

## **People Tree Limited**

### **Notes to the financial statements (*continued*)**

**Year ended 31 December 2016**

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#### **2. Accounting policies (*continued*)**

##### **Cash & cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks including deposits with an original maturity of three months or less. Cash and cash equivalents are measured at fair value.

##### **Financial Instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors, trade and other creditors and loans to third and related parties.

Debt instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income. The impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Share capital**

Ordinary shares are classified as equity.

#### **3. Judgments in applying accounting policies and key sources of estimation uncertainty**

When preparing the financial statements, management is required to make estimates and assumptions which affect reported turnover, expenses, assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

##### **Critical accounting estimates and assumptions**

###### **Stock provision**

Provision is made against slow-moving and discontinued stock for which the net realisable value is estimated to be less than the cost. Stock which is provided for is identified as such. The actual realisable value of this stock may differ materially from the estimated value on which the provision is based.

#### **4. Financial risk management**

The company has exposure to three main areas of risk - foreign exchange currency exposure, liquidity risk and customer credit exposure.

##### **Foreign currency risk**

The company is exposed to currency exchange rate risk due to a significant proportion of its trade creditors being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the regular forecast and review of transition exposures.

##### **Liquidity risk**

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that it has sufficient available funds for operations and planned expansion. The company monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

##### **Interest rate risk**

The company has interest bearing liabilities. It has not entered into derivative transactions and has not traded in financial instruments during the year under review.

**People Tree Limited**

**Notes to the financial statements (continued)**

**Year ended 31 December 2016**

**4. Financial risk management (continued)**

**Credit risk**

Trade debtors are from a broad customer base. The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is managed and mitigated by the policies and procedures in place and the strong on-going customer relationships.

**5. Operating loss**

Operating loss is stated after charging:

	2016	2015
	£	£
Directors' remuneration	5,105	70,000
Amortisation of intangible assets	4,088	1,830
Depreciation of owned fixed assets	6,284	8,185
Auditor's fees:		
- Audit	11,300	11,300
- Taxation	1,000	1,000
- Other services	1,000	-
Net loss on foreign currency translation	291,532	70,796

**6. Significant costs**

Significant costs relate to the following:

- Lost margin on heavily discounted sales due to delays in the delivery of SS16 stock to the company;
- Legal and financial advice on business financing, re-organisation and new investment; and
- Staff re-structuring costs.

**7. Employee information**

The average number of persons employed by the company during the year, including the directors, amounted to 23 (2015: 34).

**8. Taxation on ordinary activities**

A potential deferred tax asset exists at the balance sheet date in respect of tax losses carried forward. This has not been recognised in the accounts as there is insufficient evidence that the asset will be recoverable within the meaning of Section 1A of FRS 102.

**People Tree Limited**

**Notes to the financial statements (continued)**

**Year ended 31 December 2016**

**9. Intangible fixed assets**

	Website Development £
<b>Cost</b>	
At 1 January 2016	20,440
At 31 December 2016	20,440
<b>Amortisation</b>	
At 1 January 2016	1,830
Charge for the year	4,088
At 31 December 2016	5,918
<b>Net book value</b>	
At 31 December 2016	14,522
At 31 December 2015	18,610

**10. Tangible fixed assets**

	Computer Equipment £	Total £
<b>Cost</b>		
At 1 January 2016	69,020	69,020
Additions		
Disposals		
At 31 December 2016	69,020	69,020
<b>Depreciation</b>		
At 1 January 2016	44,464	44,464
Charge for the year	6,284	6,284
On disposals		
At 31 December 2016	50,748	50,748
<b>Net book value</b>		
At 31 December 2016	18,272	18,272
At 31 December 2015	24,556	24,556

**11. Debtors**

	2016 £	2015 £
Trade debtors	60,193	47,900
Amounts owed by group undertakings	67,780	20,344
Other debtors	62,625	50,624
Prepayments and accrued income	93,091	140,775
	283,689	259,643

Included within other debtors is an amount of £43,187 (2015: £5,104) which represents the sum held by HSBC as part of the agreement to administer credit card sales for the company. The amount cannot be withdrawn without prior consent or alternative guarantee arrangements being put in place.



## People Tree Limited

### Notes to the financial statements (continued)

#### Year ended 31 December 2016

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

	2016 £	2015 £
Trade creditors	717,055	557,042
Amounts owed to related undertakings	5,456	5,679
Payments received on account	141,071	6,000
Taxation and social security	42,911	55,907
Other creditors	432,514	525,927
Accruals and deferred income	61,483	128,538
	<u>1,400,490</u>	<u>1,279,093</u>

Included in other creditors are:

£98,246 owed to Shared Interest Society Limited in the form of a rolling credit facility, which attracts interest at a rate of 11% and £318,184 owed to Chocolat Bernrain, details of which are included in note 13. Also in other creditors is tax due on the bond issue of £16,083 (2015: £11,527).

Details of the Chocolat Bernrain loan and bonds in issue, including the amounts due in greater than one year, are disclosed in note 13.

##### 13. Creditors: amounts falling due after more than one year

	2016 £	2015 £
Amounts owed to related undertakings	1,563,046	1,611,189
Other creditors including:		
Shared Interest loan	285,009	285,009
Shared Interest credit facility	-	98,134
Chocolat Bernrain loan	477,276	405,375
Oikocredit loan	350,000	350,000
Stephen Romaine loan	92,443	69,167
Other creditors	1,401,593	1,062,046
	<u>4,169,367</u>	<u>3,880,920</u>

##### Analysis of loans

The company meets its working capital requirements through lending provided by its Founders, lending provided by institutions supportive of Fair Trade, credit on accounts payable provided by Fair Trade Company KK, its fellow subsidiary company (disclosed within Founders' loans and amounts due to related undertakings) and borrowings from the parent company People Tree Fair Trade Group Limited. The Founders consider sufficient facilities for working capital requirements are available for the foreseeable future.

Included in amounts due to group undertakings is a balance due to People Tree Fair Trade Group Limited of £1,563,046 (2015: £1,611,189). An agreement was formalised on 24 February 2014 after which interest of 2.5% per annum was charged and the loan is due for repayment on 31 December 2018.

The amounts owed to Shared Interest Society Limited totalled £355,200 (2015: £424,994) including accrued interest. The principal loan amounted to £285,010 and incurred interest at a rate of 10%. The total balance is due after one year. Accrued interest of £41,851 does not fall due for repayment until after 31 December 2016 so has been included in other creditors above.

The loan from Chocolat Bernrain AG of £825,290 (2015: 682,623) including accrued interest was outstanding at 31 December 2016. £318,184 is due within one year, and £507,106 is due after one year. The loan attracts an annual interest rate of 3% and is denominated in CHF.

## People Tree Limited

### Notes to the financial statements (continued)

#### Year ended 31 December 2016

##### 13. Creditors: amounts falling due after more than one year (continued)

The loan from Oikocredit Ecumenical Development Co-operative Society, U.A of £411,059 (2015: £369,113) including accrued interest was outstanding at 31 December 2016. The total capital of £350,000 is repayable in more than one year. The loan attracts interest at 9%. A guarantee over the loan has been given by Fair Trade Company KK. The loan is secured by a fixed and floating charge over the Company's assets.

The Stephen Romaine loan of \$100,000; £92,443 (2015: \$100,000; £69,167) is expected to be repaid after more than one year. The loan attracts interest of 12% per annum.

Included in other creditors are:

A Founders' loans balance of £715,560 (2015: £715,560). The loan attracts interest of 5% per annum.

£461,500 of bonds issued in the UK (2015: £219,500). These are redeemable from 1 July 2018 and interest is payable at 8 - 9%, made up of 3 - 4% cash interest and 5% in vouchers redeemable for People Tree products.

During the year the company and some of its subsidiary companies did breach certain covenants in their financing agreements with third party providers of finance. However, the Directors were in constant communication with the third parties involved throughout the year, who have accepted these breaches, and with whom the Company have subsequently negotiated both principal and interest payment holidays until June 2018.

##### 14. Related party transactions

The company has taken advantage of the exemption conferred by Section 1A of FRS 102 "Related party disclosures" and has not disclosed transactions with companies that are wholly owned within the People Tree Fair Trade Group of companies.

The policy for assessment of cost-sharing between group entities was updated in 2013 to better reflect the cost of activities undertaken for group development. The chief categories of group-level strategic development are supply chain building and brand development. The group's strategic long-term investment in developing critical mass in the European market for Fair Trade fashion is designed to create sufficient ordering volumes to support both the Company and other group members, and suppliers to the group, in making necessary investments in quality and design improvements, and significantly to advance awareness and recognition of the brand. The Company carried out activities to a value of £550,224 (2015: £550,224) during the year supporting these group-level objectives, and this is reimbursed from the holding company, shown as "Other Operating Income" in the statement of comprehensive income for the year.

##### Founders' loans

The Founders' loan account of £715,560 (2015: £715,560) shown within creditors greater than one year consists of loans from Mrs S Minney and Mr J Minney, directors of the Company and of the parent Company People Tree Fair Trade Group Limited. An agreement was formalised in January 2008, and interest of 5% per annum is charged. During the year interest of £35,778 has been charged. The Founders' do not expect to draw down any of this loan within the next 12 months.

##### Bonds

Bonds totalling £219,500 (2015: £219,500) are in issue to Mrs S Minney and Mr J Minney, directors of the Company and of the parent Company People Tree Fair Trade Group Limited. These bonds attract an interest rate of 4% per annum. All of this balance is redeemable from 1 July 2018.

##### People Tree Foundation

During the year, People Tree Limited paid expenses on behalf of People Tree Foundation of £2,562 (2015: £17,451). People Tree Limited also collected income and donations on behalf of the charity of £2,339 (2015: £12,721). At the year end People Tree Limited owed the Foundation £5,456 (2015: £5,679). People Tree Foundation is both a registered charity, and a company limited by guarantee with a sole member, the parent Company, People Tree Fair Trade Group Limited.

# People Tree Limited

## Notes to the financial statements (continued)

### Year ended 31 December 2016

#### 15. Share capital

##### Allotted, called up and fully paid:

	2016 No	£	2015 No	£
Ordinary shares of £1 each	600,000	600,000	600,000	600,000

#### 16. Lease commitments

	2016 £	2015 £
Total property rentals payable under licences and leases are as follows:		
Within one year	35,620	100,000
Between one and five years	-	133,333
	<u>35,620</u>	<u>233,333</u>

#### 17. Ultimate parent company

The immediate parent company and ultimate controlling party is People Tree Fair Trade Group Limited, a company incorporated in England and Wales. These accounts are not consolidated in those of People Tree Fair Trade Group Limited as the group qualifies as small under the Companies Act 2006.

#### 18. Transition to FRS 102

These financial statements for the year ended 31 December 2016 are the company's first financial statements that comply with FRS 102. The company's date of transition to FRS 102 was 1 January 2015. The company's last financial statements prepared in accordance with previous UK GAAP were for the year ended 31 December 2015.

The transition to FRS 102 has resulted in some changes in the company's accounting policies compared to those used when applying previous UK GAAP.

The following explanatory notes to the financial statements describe the differences between the equity and profit or loss presented under previous UK GAAP and the newly presented amounts under FRS 102 for the reporting period ended at 31 December 2015 (ie comparative information), as well as the equity presented in the opening statement of financial position (ie at 1 January 2015). It also describes the changes in accounting policies made on first-time adoption of FRS 102.

##### Exceptional items

Under previous UK GAAP, certain exceptional items were to be disclosed after operating profit and before interest (for example costs of a fundamental reorganisation or restructure that had a material effect on the nature and focus of the entity's operations). FRS 102 does not provide specific guidance surrounding exceptional items but states that an entity is to present additional line items, headings and subtotals in the statement of comprehensive income when such presentation is relevant to the understanding of the performance. The costs that were classified as exceptional items below operating profit last year have been re-classified as an additional line within the administrative expenses on transition.

In the table on the following page, equity determined in accordance with the FRS 102 is reconciled to equity determined in accordance with previous UK GAAP at both 1 January 2015 (the date of transition to FRS 102) and 31 December 2015.

**People Tree Limited**

**Notes to the financial statements**

**Year ended 31 December 2016**

**18. Transition to FRS 102 (continued)**

**Reconciliation of equity:**

	1 January 2015			31 December 2015		
	Previous UK GAAP	Effect of transition	FRS 102	Previous UK GAAP restated	Effect of transition	FRS 102
	£	£	£	£	£	£
Intangible assets	-	-	-	18,610	-	18,610
Tangible assets	29,192	-	29,192	24,556	-	24,556
Stock	588,666	-	588,666	433,481	-	433,481
Debtors	409,201	-	409,201	259,643	-	259,643
Cash	7,290	-	7,290	53,648	-	53,648
<b>Total assets</b>	<b>1,034,349</b>	<b>-</b>	<b>1,034,349</b>	<b>789,938</b>	<b>-</b>	<b>789,938</b>
Creditors < 1 year	(1,137,374)	-	(1,137,374)	(1,279,093)	-	(1,279,093)
Creditors > 1 year	(3,755,425)	-	(3,755,425)	(3,880,920)	-	(3,880,920)
<b>Total liabilities</b>	<b>(4,892,799)</b>	<b>-</b>	<b>(4,892,799)</b>	<b>(5,160,013)</b>	<b>-</b>	<b>(5,160,013)</b>
Issued capital	600,000	-	600,000	600,000	-	600,000
Profit and loss account	(4,458,450)	-	(4,458,450)	(4,970,075)	-	(4,970,075)
<b>Total deficit</b>	<b>(3,858,450)</b>	<b>-</b>	<b>(3,858,450)</b>	<b>(4,370,075)</b>	<b>-</b>	<b>(4,370,075)</b>

**People Tree Limited**

**Notes to the financial statements**

**Year ended 31 December 2016**

**18. Transition to FRS 102 (continued)**

**Reconciliation of consolidated profit or loss for the year ended 31 December 2015:**

	<b>Previous UK GAAP</b>	<b>Effect of transition</b>	<b>FRS 102</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Turnover	2,831,412	-	2,831,412
Cost of sales	(1,254,298)	-	(1,254,298)
Gross profit	1,577,114	-	1,577,114
Distribution costs	(693,163)	-	(693,163)
Administrative expenses excluding exceptional items	(1,621,033)	-	(1,621,033)
Exceptional administrative expenses	(75,000)	(39,776)	(114,776)
Administrative expenses	(1,696,033)	(39,776)	(1,735,809)
Other operating income	550,224	-	550,224
<b>Operating loss</b>	<b>(261,858)</b>	-	<b>(301,634)</b>
Exceptional item	(39,776)	39,776	-
Interest receivable and similar income	58	-	58
Interest payable and similar charges	(210,049)	-	(210,049)
<b>Loss on ordinary activities before tax</b>	<b>(511,625)</b>	-	<b>(511,625)</b>
Tax on loss on ordinary activities	-	-	-
<b>Loss and total comprehensive expense for the financial year</b>	<b>(511,625)</b>	-	<b>(511,625)</b>