

Company registration no: 06092687

PEOPLE TREE FAIR TRADE GROUP LIMITED

**Financial Statements
30 December 2015**



PEOPLE TREE FAIR TRADE GROUP LIMITED

Financial statements for the year ended 30 December 2015

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PEOPLE TREE FAIR TRADE GROUP LIMITED

Officers and professional advisers

Directors

S Minney
J Minney
B Steinberg
C Wilson
M Hooper
C Gent
A Dartnell

Secretary

S Raistrick

Registered office

5 Huguenot Place
17A Heneage Street
London
E1 5LN

Bankers

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

Solicitors

Muckle LLP
32 Time Central
Gallowgate
Newcastle upon Tyne
NE1 4BF

Auditor

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

PEOPLE TREE FAIR TRADE GROUP LIMITED

Strategic report

Principal activity and business review

The principal activity of the Company during the year was that of a holding company. Subsidiary companies under the Company's ownership include operating companies in Japan and UK. The principal activity of the Group continued to be designing, procuring and selling Fair Trade fashion, interior goods and food.

Economic growth in UK slowed in 2015 to an estimated 2.3%, down from 2.9% in 2014. However services continued to power the UK recovery and consumer spending was expected to grow by about 2.5% in 2016, according to PwC, with a good jobs market and wage growth contributing. On the negative side, worries about a UK exit from Europe could affect People Tree sales in Europe. These forces as well as financial market volatility and slower global growth may slow economic growth in 2016. Growth across Europe was slower than in the UK, at 1.6% in 2015, despite the boosts of lower oil prices and quantitative easing, and financial markets worries are expected to keep growth low in 2016 as well.

Japan's economy, the world's fourth biggest, saw 1.1% growth in the first quarter of 2015, but shrank in two quarters in 2015 and the World Bank estimates overall GDP growth at 0.8% for 2015 and forecasts 1.3% for 2016. Private consumption and consumer confidence remain weak into the first months of 2016 but an expansionary budget for the fiscal year starting April may help. The yen is still historically high against the US dollar, which impacts People Tree profitability.

Growing awareness of fashion and ethics

Across the fashion industry, pressure on the major clothing brands means more of them improve their ethics in 2015, in line with issues championed by People Tree. Progress in getting major brands to sign up to the legally binding Bangladesh Accord on Fire and Building Safety was slow until the Rana Plaza tragedy in 2013, 40 firms signed up in the next few months and 200 by December 2015, although pressure is mounting on some to keep their promises.

Some 33 clothing companies have signed up to Greenpeace's Detox my Fashion campaign ("because beautiful fashion shouldn't cause toxic pollution") to remove toxic chemicals from the supply chain by 2020. The release of the film "True Cost" in May 2015 has further reinforced People Tree's message in the fashion industry. Action around campaigns such as #whomademyclothes is set to increase in UK and other markets in 2016. People Tree founder Safia Minney's book "Slow Fashion: Aesthetics meets Ethics" launched in March 2016.

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 UK of issues around livelihoods and economic injustice within the fashion sector, and since 2011 there are signs of a nascent re-evaluation of social and personal values in Japan. The company has sought to sustain its producer groups while protecting the interests of other stakeholders. The Company entirely reorganised its sales representation in Germany, where it plans to drive significant growth in both wholesale and e-commerce sales, strengthened UK marketing resource, and developed and systematised wholesale selling cycles and processes in Japan. The Company is scaling back high-interest social borrowing in favour of alternative sources of finance with the aim of steadily reducing debt and leverage, and is closely managing operating expenditure, to maintain profitability and build a solid base for financially sustainable growth.

Business review

Relative to the prior year, management fee receipts from operating subsidiaries increased owing to revenue growth and foreign exchange changes. Finance costs declined slightly, and by slightly more than the decline in finance income. Together these changes were more than sufficient to cover a small increase in administrative expenses, and the Loss on ordinary activity before taxation was reduced to £150,600 (2014: £183,431).

After a decade of establishing its unique Fair Trade and environmentally friendly supply chain and of establishing amongst the public brand awareness and consciousness of the issues which inform the group's central mission, the Group is now laying a solid foundation for the next stage of growth in the business, and thereby in creating sustainable livelihoods for disadvantaged artisans and producers in developing countries. This is to be supported by putting into place an innovative new financing strategy to meet the unique needs of working with disadvantaged artisans, without collateral or access to credit even for living expenses let alone raw materials, during production.

In November 2015 the founders and board appointed Bruce Steinberg Interim CEO and Group Managing Director to restructure the company's operations and financials in line with People Tree's core mission and subsequently appointed James Minney as CEO of the Japanese subsidiary. Safia Minney stepped down from her role of CEO of the company and of its subsidiaries and continues to work with People Tree in a strategic advisory capacity; the company greatly appreciates and thanks Safia for her role and contribution as Founder and as CEO since the company's and group's inception 25 years ago in Japan.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Strategic Report (continued)

Principal risks and uncertainties

The principal areas of uncertainty faced by the Group include weak consumer confidence and demand in Japan and Europe, its chief markets, as well as ever-increasing competition and cost-cutting, including by competitors whose supply chains include exploitative situations, be it of the environment or of people. In addition, the business environment and technology are changing fast. The Group also depends on its ability to raise the quality and skill of its Fair Trade producer groups, and on the impact on supplies of any social, political, natural or economic disruptions which may arise for producers, who are located predominantly in India, Bangladesh and Nepal.

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 Group employs experienced professionals in garment technology, production management, garment design, and quality management in order to develop these areas. In itself and in conjunction with with People Tree Foundation, the Group allocates significant resources to developing, systematising, 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.

Future outlook

GDP growth and consumption growth are forecast to slow somewhat in 2015 in both the UK and Germany, despite slight falls in unemployment being a feature of OECD forecasts for the year, and to remain muted in Japan as well. The economic environment is expected to continue to create difficult trading conditions and tough competition.

In response the Group is investing selectively in additional capacity, particularly in sales in Europe, to drive growth and to continue important skills and organisational development work with all aspects of its Fair Trade supply chain. It will also continue to enhance its wholesale partnerships and direct sales. It will continue to maintain good relations with creditors and other stakeholders.

Key performance indicators

The Group's managers use Key Performance Indicators to monitor operational and financial progress against the strategic goals. These include Sales, Gross Profit, Administrative expenses, EBITDA and cashflow. Performance against these KPIs is included in the Group's Financial Statements.

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 business principles. Consequently, the Group's cost structure is high relative to the current scale of the business and includes a large component of fixed costs. Secondly, the Group has high borrowings, sourced at a significant cost-of-finance.

The Group 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, including those who like to buy the products and those who seek development in one direction or another in the Group's product offering.

Approved by the board on 17 June 2016 and signed on its behalf by



J. Minney
Director

PEOPLE TREE FAIR TRADE GROUP LIMITED

Report of the Directors

The Directors submit their report and the audited group financial statements of People Tree Fair Trade Group Limited for the year ended 30 December 2015.

Results and dividends

The company's results are set out on page 8. The Directors do not recommend the payment of a dividend (2014: £nil).

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 Group as disclosed in notes 1 and 14. The directors have based this opinion on budgets and forecasts which they have prepared, and on continual monitoring of the Group's financial position. They have renegotiated and are renegotiating some of its existing debts, and have raised and are raising additional and replacement funds, to satisfy anticipated working capital needs for the foreseeable future.

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.

Directors

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

S Minney
J Minney
B Steinberg – Appointed 1 December 2015
P King – Resigned 1 May 2015
C Wilson
M Hooper
C Gent
A Dartnell

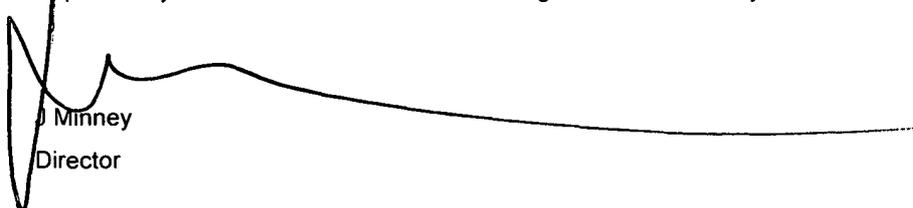
Auditor

ChantreyVellacott DFK LLP merged its practice with Moore Stephens LLP with effect from 1 May 2015 and now practises under the name of Moore Stephens LLP. A resolution to appoint Moore Stephens LLP as auditor will be proposed at the forthcoming annual general meeting.

Small company provisions

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

Approved by the board on 17 June 2016 and signed on its behalf by


J Minney
Director

PEOPLE TREE FAIR TRADE GROUP LIMITED

Statement of directors' responsibilities

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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 International Financial Reporting Standards. 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

The directors are responsible for the maintenance and integrity of any corporate and financial information included on the company's website.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Independent auditor's report to the members of People Tree Fair Trade Group Limited for the year ended 30 December 2015

We have audited the company financial statements ("the financial statements") of People Tree Fair Trade Group Limited for the year ended 30 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as applied in accordance with the provisions of the Companies Act 2006.

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 5, 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 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/apb/scope/private.cfm.

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 30 December 2015 and of the loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 1 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.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Independent auditor's report to the members of People Tree Fair Trade Group Limited for the year ended 30 December 2015

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Moore Stephens LLP

GARETH JONES FCA (Senior Statutory Auditor)
for and on behalf of MOORE STEPHENS LLP
Chartered Accountants and Statutory Auditor
London

20 June 2016

PEOPLE TREE FAIR TRADE GROUP LIMITED

Statement of Comprehensive Income For the year ended 30 December 2015

	Notes	2015 £	2014 £
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(83,092)	(74,813)
Operating loss	5	(83,092)	(74,813)
Other operating income		409,617	380,201
Strategic costs undertaken in group entities		(550,224)	(550,224)
Finance income	7	48,590	53,058
Finance costs	7	(37,476)	(49,203)
Dividends received		61,985	57,550
Loss on ordinary activity before taxation		(150,600)	(183,431)
Taxation	9	-	-
Loss for the year		(150,600)	(183,431)
Total comprehensive income		(150,600)	(183,431)

The results shown above are derived entirely from continuing operations and all recognised gains and losses are included in the statement of comprehensive income.

All the activities of the company are from continuing operations.

The notes on pages 12 to 24 form part of these financial statements.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Statement of Financial Position As at 30 December 2015

	Notes	2015 £	2014 £
Non-current assets			
Investments	10	853,002	853,002
		<u>853,002</u>	<u>853,002</u>
Current assets			
Trade and other receivables	12	1,672,928	1,743,597
Cash and cash equivalents		998	23,601
		<u>1,673,926</u>	<u>1,767,198</u>
Trade & other payables	13	219,551	197,373
Net current assets		<u>1,454,375</u>	<u>1,569,825</u>
Total assets less current liabilities		<u>2,307,377</u>	<u>2,422,827</u>
Non-current liabilities	14	608,495	573,345
Net assets		<u>1,698,882</u>	<u>1,849,482</u>
Capital and reserves			
Share capital	15	1,175,185	1,175,185
Share premium		340,883	340,883
Retained earnings		182,814	333,414
Equity shareholders' funds		<u>1,698,882</u>	<u>1,849,482</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 17 June 2016 signed on its behalf by;



J. Minney
Director

Company Registration Number: 06092687

The notes on pages 12 to 24 form part of these financial statements.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Statement of Changes in Equity For the year ended 30 December 2015

Company	Share capital £	Share premium £	Retained earnings £	Total £
At 31 December 2013	1,175,185	340,883	516,845	2,032,913
Comprehensive Income: Loss for the year	-	-	(183,431)	(183,431)
At 30 December 2014	1,175,185	340,883	333,414	1,849,482
Comprehensive Income: Loss for the year	-	-	(150,600)	(150,600)
At 30 December 2015	<u>1,175,185</u>	<u>340,883</u>	<u>182,814</u>	<u>1,698,882</u>

Equity is the aggregate of the following:

- Share capital; being the nominal value of shares issued
- Share premium; being the excess received over the nominal value of shares issued less direct issue costs
- Retained earnings; being the cumulative profit or loss attributable to equity shareholders

The notes on pages 12 to 24 form part of these financial statements.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Statement of Cash Flows For the year ended 30 December 2015

	Note	2015 £	2014 £
Cash from operating activities			
Cash inflow from operations	16	174,905	214,656
Net cash inflow from operating activities		<u>174,905</u>	<u>214,656</u>
Cash flows from investing activities			
Finance income		48,590	53,053
Finance costs		(178,083)	(219,220)
Dividends received		61,985	57,550
Net cash outflow from investing activities		<u>(67,508)</u>	<u>(108,617)</u>
Cash outflow from financing activities			
Other loans		(130,000)	(84,015)
Net cash outflow from financing activities		<u>(130,000)</u>	<u>(84,015)</u>
Net (decrease)/increase in cash and cash equivalents		(22,603)	22,024
Cash and cash equivalent at the beginning of the year		23,601	1,577
Cash and cash equivalents at the end of the year		<u>998</u>	<u>23,601</u>

The notes on pages 12 to 24 form part of these financial statements.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

1. Basis of preparation of the financial statements

People Tree Fair Trade Group Limited is a limited liability Company incorporated in the United Kingdom under the Companies Act 2006. The company was incorporated on 31 December 2007. The address of the registered office is given on page 1. The principal activities of the company are set out in the Strategic report on pages 2 and 3.

The financial statements are prepared under the historical cost convention and are presented in £ Sterling which is the functional currency.

The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and comply with the Companies Act 2006.

As permitted under EU Regulation 2005 (Regulation EC No 1606/2002) the company, which is a parent of a small group, as defined by UK Company Law, has not prepared consolidated accounts, as normally required under IFRS 10 but still complies in full with IFRS as adopted by the EU in the preparation of their annual statutory accounts.

At the date of authorisation of these financial statements, there were Standards and Interpretations as set out in note 2 that were in issue but are not yet effective and have not been applied in these financial statements. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statement of the Company, except for additional disclosures when the relevant Standards come into effect.

As explained in the Report of the directors, the financial statements have been prepared on a going concern basis following confirmation of the continuing support of the founders Safia and James Minney, who are also directors, and of the creditors of the Company. 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 have raised and are 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 performance of Fair Trade Company KK, the largest operating subsidiary, which continues to record post-tax net profits after paying management fees to the company, and its fellow subsidiary People Tree Limited, where the sales are in line with budget for 2016. In addition, steps to significantly reduce operating expenditure were implemented in November 2015, which is already leading to improved cash generation and the directors' expect that the resulting improvement in profitability will continue to deliver results in line with the cash flow forecast.

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

The directors note that the Founders have confirmed their willingness to convert their debt into equity and further, that the key external providers of finance in Europe have provided payment holidays on its facilities of both capital and interest, one to June 2017 and another to April 2017, and have entered discussions to convert their existing debt into equity.

In preparing their budgets and forecasts the directors have taken into consideration that existing debt facilities with Japanese lending institutions will be renegotiated as the debt is paid down, as they have been over the last several years, and that negotiations are under way for a new long-term loan with a new lender in addition to the existing facilities already in place.

In the opinion of the directors, there is sufficient funding available to meet the Company's 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 as discussed above.

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 FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

2. Adoption of new and revised standards

No new or amended financial accounting standards have been adopted in these financial statements.

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2014 or later periods, but which the company has not early adopted.

At the reporting date of these financial statements, the following standards were in issue but not yet effective and were considered to be the standards that could impact the company in the future:

Amendment to IAS1 Presentation of financial statements
IFRS 9 Financial Instruments
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Where relevant, the Company is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

3. Accounting policies

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, returns, taxes or duty.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Impairment testing

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped by store, cost centre or premises, which is the lowest level for which there are separately identifiable cash flows or cash generating units. Non-financial assets, other than goodwill, that have been impaired are reviewed at each reporting date for possible reversal of the impairment.

Taxation

The tax charge represents the sum of current and deferred tax.

Current tax currently payable is based on taxable profits for the year. Taxable profits differ from net profits as reported in the income statement because it excludes items that are taxable or deductible in other years and items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheets date.

Deferred tax is the tax expected to be payable or recoverable on material differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

3. Accounting policies (continued)

Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability or the asset is realized.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position 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 loss.

The results of overseas operations are transferred at the average rate of exchange during the year and the statement of financial position is translated in to Sterling at the rates of exchange at the statement of financial position date. Exchange differences which arise from the translation of the opening net assets and results of foreign subsidiary undertakings and from translating the statement of comprehensive income at an average rate are taken to the reserves. All other differences are taken to the statement of comprehensive income.

Trade receivables

Trade receivables are stated at their nominal value less allowances for irrecoverability and are accounted for at their trade date.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term deposits and liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the statement of comprehensive income.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due. The amount of any provision is recognised in the statement of comprehensive income.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue cost.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

3. Accounting policies (continued)

Interest bearing bank loans, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method.

Investments are classified as either held-for-trading or available-for-sale at initial recognition and this designation is re-evaluated at each balance sheet date. At the statement of financial position date all such investments are classified as available-for-sale.

Investments are initially measured at cost, including transaction costs. At subsequent reporting dates:

- available-for-sale investments are measured at fair value or at cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the net profit or loss for the year.

Purchases of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Sales of financial assets are recognised on the settlement date i.e. the date the asset is delivered to the counter party.

Financial risk management objectives and policies

The objective of the Company's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised.

The Company manages its capital structure through adjustments that are dependant on economic conditions. In order to maintain or adjust the capital structure, the Company may choose to change or amend dividend payments to shareholders or issue new share capital to shareholders or re-purchase share capital from shareholders. There were no changes to the objectives, policies or processes during the years ended 30 December 2015 and 30 December 2014.

Operating segment

The company only operates in one geographical and business segment.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Although the estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The most significant of these relates to impairments.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

Impairment of assets

As required by IAS 36, Impairment of assets, the Company regularly monitors the carrying value of its assets. Impairment reviews compare the carrying values to the present value of future cash flows that are derived from the relevant asset or cash generating unit. These reviews therefore depend on management estimates and judgement, in particular in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

5. Operating loss

	2015 £	2014 £
Operating loss is stated after charging/(crediting):		
Auditor's fees	9,500	9,500
Net (profit) on foreign currency translation	(4,970)	(28,122)
	<u> </u>	<u> </u>

6. Fees payable to company's auditor

	2015 £	2014 £
Audit of the financial statements	5,000	5,000
Accountancy services	4,500	4,500
Other services relating to taxation	500	500
	<u>10,000</u>	<u>10,000</u>

7. Finance income and finance costs

	2015 £	2014 £
Interest received on PTL inter co loan	<u>48,590</u>	<u>53,058</u>
	<u> </u>	<u> </u>
	2015 £	2014 £
Interest paid on bank and other loans	<u>37,476</u>	<u>49,203</u>

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

8. Employee information

Director's fees during the year were £Nil (2014: £Nil). The directors are considered to be the only key management personnel.

9. Tax on profit on ordinary activities

(a) Analysis of charge in year

	2015 £	2014 £
Current tax:		
Current tax charge	-	-
Total current tax (note 9 (b))	<u>-</u>	<u>-</u>

(b) Factors affecting tax charge for year

The differences are explained below:

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	<u>(150,600)</u>	<u>(183,430)</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	(30,496)	(39,425)
Effects of:		
Group relief surrendered	-	3,605
UK unrelieved tax losses	43,049	48,189
Exempt dividend income	(12,352)	(12,369)
Current tax charge for year (note 9 (a))	<u>-</u>	<u>-</u>

(c) Provision for deferred tax

There is a potential deferred tax asset arising from the availability of losses approximately £443,000 (2014 - £231,000), which has not been recognised in the financial statements due to the uncertainty concerning the timescale as to its recoverability. The deferred tax asset would be recovered at the point that the company had made sufficient taxable profits. Any increase in the rate of corporation tax will increase the potential deferred tax arising from the availability of losses.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

10. Investments

	Subsidiary undertakings £
Cost	
At 31 December 2015	853,002
At 30 December 2015	<u>853,002</u>
Impairment	
At 31 December 2015	-
Charge in the year	-
At 30 December 2015	<u>-</u>
Net book value	
At 30 December 2015	<u>853,002</u>
At 30 December 2014	<u>853,002</u>

The directors have prepared budgets and forecasts, which indicates that the above investments in subsidiary undertakings are recoverable and that no impairment is required.

The above investments comprise the following investments:

	Historical cost £	Equity capital £	Capital and reserves £	(Loss)/profit for the year £
People Tree Limited	600,000	600,000	(4,370,075)	(511,625)
Fair Trade Company KK	253,000	345,600	455,470	82,534
People Tree International Limited	2	2	(697)	(1,261)

The company has the following investments in subsidiary undertakings:

Name of company	Country of incorporation	Nature of business	% of voting rights and ordinary shares held
People Tree Limited	England and Wales	Retail and wholesale of Fair Trade fashion	100%
Fair Trade Company KK	Japan	Retail and wholesale of Fair Trade fashion and other consumer goods	100%
People Tree International Limited	England and Wales	Consultancy in the field of Fair Trade, capacity building and livelihoods development	100%

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

11. Financial Instruments

The Company's financial instruments comprise cash, overdrafts and items such as other receivables and payables which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the two executive directors.

Classification of financial instruments

The tables below set out the accounting classification of each class of financial assets and liabilities.

Financial assets

At 30 December 2015

	Measured at amortised cost £	Total Carrying value £
Other receivables	1,672,928	1,672,928

At 30 December 2014

	Measured at amortised cost £	Total Carrying value £
Other receivables	1,743,597	1,743,597

The other receivables shown above have short terms to maturity. For this reason, their carrying amounts at the year-end approximate the fair values.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

11. Financial Instruments (continued)

Financial liabilities

At 30 December 2015

	Measured at amortised cost	Total Carrying value
	£	£
Other payables	130,000	130,000
Accruals	51,425	51,425

At 30 December 2014

	Measured at amortised cost	Total Carrying value
	£	£
Trade payables	4,846	4,846
Other payables	130,000	130,000
Accruals	62,327	62,327

The trade payables, other payables and accruals shown above generally have short terms to maturity, and so the values reported approximate the fair values.

Liquidity risk

The Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure 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 both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances which earn interest at variable rates.

The Company has not entered into derivatives transactions and has not traded in financial instruments during the year under review.

Capital Management

The Company manages its capital to safeguard its ability to continue as a going concern in order to maximize the return to shareholders and benefits for other stakeholders, and to maintain optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of share capital, share premium, and retained earnings.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

12. Trade and other receivables

	2015 £	2014 £
Amounts due from subsidiaries	1,611,533	1,694,998
Prepayments & accrued income	61,395	48,599
	<u>1,672,928</u>	<u>1,743,597</u>

13. Trade and other payables

	2015 £	2014 £
Trade payables	-	4,846
Amounts due to subsidiaries	168,126	-
Other payables including:		
Oikocredit loan	-	130,000
Accruals & deferred income	51,425	62,527
	<u>219,551</u>	<u>197,373</u>

Included in other payables are:

£Nil of loan from Oikocredit Ecumenical Development Co-operative Society, U.A (2014: £130,000).

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

14. Non current liabilities

	2015 £	2014 £
Founders' loan	25,805	-
Other payables including:		
Oikocredit loan	380,000	380,000
Adachi loans	202,690	193,076
Other payables	-	269
	<hr/>	<hr/>
	608,495	573,345

Long term liabilities are carried under historical cost due to uncertainty over timing of repayment of Founders loans and other payables.

The Company meets its working capital requirements through lending provided by its Founders, and lending provided by institutions supportive of Fair Trade. The Directors consider sufficient facilities for working capital requirements are available for the foreseeable future.

The Founders' loans of £25,805 (2014: £Nil), represent loans from Mrs S Minney and Mr J Minney, directors of People Tree Fair Trade Group Limited. An agreement was formalised in January 2008, and interest of 5% per annum is charged. The Founders do not expect to request repayment of these loans within the next 12 months.

Included in other payables are:

Two loans from Oikocredit Ecumenical Development Co-operative Society, U.A of £130,000 and £250,000 (2014: £130,000 and £250,000) were outstanding at 30 December 2015. The loans attract interest at 9% and are due to be repaid in 2017.

Two loans from Mina Adachi Yen 30m (£168,908) (2014: Yen 30m, £160,897) and Yen 6m (£33,782) (2014: Yen 6m, £32,179) were outstanding at 30 December 2015. Both loans attract interest at 2% per year, and both are repayable in full in 2018.

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 March and June 2017.

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

15. Share capital

Allotted and called up:

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	1,175,185	1,175,185	1,175,185	1,175,185

16. Cash flows from operating activities

	2015	2014
	£	£
Operating loss	(83,092)	(74,818)
Non monetary exchange movement	9,345	-
Change in receivables	70,669	428,174
Change in payables	177,983	(138,704)
Net cash inflow from operating activities	174,905	214,656

PEOPLE TREE FAIR TRADE GROUP LIMITED

Notes to the financial statements For the year ended 30 December 2015

17. Related party transactions

During the year, in the company's financial statements, there have been the following transactions with subsidiaries:

	2015 £	2014 £
Management charges received from subsidiaries	409,617	380,207
Cost sharing paid to subsidiaries	(550,224)	(550,224)
Interest received on loans to subsidiaries	48,590	53,053

Interest on intercompany loans is charged on a commercial basis.

As at the balance sheet date the company had the following amounts due from/(owed to) the following subsidiary undertakings:

	2015 £	2014 £
People Tree Limited	1,611,189	1,924,230
People Tree International Limited	344	(21,000)
Fair Trade Company KK	(168,126)	(208,232)

The directors have prepared budgets and forecasts across the group, which indicates that the above amounts due from the company's subsidiary undertakings are recoverable.

Cost sharing paid to subsidiaries related to a strategic cost-sharing to enable group-level strategic development activities which have been carried out in People Tree Limited. The policy for assessment of cost-sharing between group entities was updated in 2014 to reflect better 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.

As at 30 December 2015 a balance of £25,805 (2014: £Nil) was owed to Mrs S Minney and Mr J Minney, directors of the Company. Further details of the Founders' loans can be found in note 14.

As at the balance sheet date the Group had loans from Oikocredit Ecumenical Development Co-operative Society, U.A , a 19% (2014: 19%) shareholder. Details of these loans are described in note 14.