



TRAIDCRAFT
Fighting poverty through trade

THE TRAIDCRAFT FOUNDATION

FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 MARCH 2011

Registered charity number 294953

THE TRAIDCRAFT FOUNDATION

TRUSTEES & OFFICERS AND GENERAL INFORMATION



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TRAIDCRAFT FOUNDATION PRINCIPAL ADDRESS

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NE11 0NE

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Traidcraft Foundation is a registered charity, number 294953.

THE TRAIDCRAFT FOUNDATION

TRUSTEES & OFFICERS AND GENERAL INFORMATION



TRUSTEES

Reg Bailey (Chair)

Margaret Masson

Michael Northcott

Richard Higginson

Liz Reynolds

Stephen Timms MP (from July 2011)

Trustees are elected following recommendations made by the members of a nominations committee, which during the financial year comprised Reg Bailey (Chairman of the Traidcraft Foundation), Chris Stephens (non-executive Chairman of the Boards of Traidcraft plc and Traidcraft Exchange), Margaret Sentamu (non-executive director of Traidcraft plc and a trustee of Traidcraft Exchange).

Training is available for new trustees and other trustees as necessary. A detailed induction pack and process is provided for each new trustee.

ADMINISTRATION

Finance: Simon Grant

PRINCIPAL PROFESSIONAL ADVISERS

Principal Clearing Bankers: HSBC plc, 110 Grey Street, Newcastle upon Tyne

Financial Auditors: Baker Tilly UK Audit LLP, 1 St James' Gate, Newcastle upon Tyne

Social Accounts Auditors: Just Assurance Network Limited, Bath

GOVERNING DOCUMENT

Trust Deed (updated 2002).

The Foundation has also entered into a Deed of Mutual Covenant with Traidcraft plc and Traidcraft Exchange, dated December 2002.

Information regarding the Trustees, Directors and Officers of The Traidcraft Exchange and of Traidcraft plc is included in the published accounts of those companies, available from Traidcraft, Kingsway, Gateshead, Tyne & Wear NE11 ONE.

AIMS AND OBJECTIVES OF THE TRAIDCRAFT FOUNDATION

The Traidcraft Foundation was established in 1979.

Traidcraft seeks to deliver its mission through the complementary activities of its charity, Traidcraft Exchange, and of its sister organisation, the trading company, Traidcraft plc. The Foundation's task is to ensure that all parts of the Traidcraft family remain focused on the founding principles, vision and mission of Traidcraft, as set out below, and to support the Boards of Traidcraft plc and Traidcraft Exchange as they implement their respective activities for the benefit of poor producers in the developing world.

TRAIDCRAFT'S FOUNDATION PRINCIPLES:

- **Traidcraft is a Christian response to poverty.**
- **Our mission is fighting poverty through trade.**
- **We respect all people and the environment.**
- **We abide by and promote fair business practices.**
- **We strive to be transparent and accountable.**

TRAIDCRAFT'S VISION: A world freed from the scandal of poverty, where trade is just and people and communities can flourish.

TRAIDCRAFT'S MISSION: We fight poverty through trade, pioneering, practising and promoting approaches to trade that help poor people in developing countries transform their lives.

A Christian response to poverty, Traidcraft seeks to work with people of all faiths and none.

The Foundation is a trust comprising five or more trustees who meet periodically. It has neither staff nor any place of business and does not undertake any fundraising activities. The Traidcraft Foundation is a registered charity, whose formal objectives are:

- The prevention and relief of poverty and sickness in those countries included in the list of Developing Countries as agreed from time to time by the Trustees, Traidcraft Exchange and Traidcraft plc in accordance with the Deed of Covenant.
- The promotion for the benefit of the public of studies in theological, political, social, technical and economic subjects and other educational subjects.
- The promotion for the benefit of the public of education and dissemination of knowledge in these subjects with particular (but not exclusive) reference to the problems of economic and social development in Developing Countries arising from national and international trading practices.
- The advancement of the Christian religion by commending that religion to persons in Developing Countries and elsewhere.
- The promotion of other charitable purposes in Developing Countries in particular (by using any means available to it including its rights as members or shareholders) by defending the Christian basis underlying the operations of Traidcraft plc and the Exchange, promoting the connections between the Christian faith and the principles of fair trade, stimulating, challenging and helping those bodies to develop distinctively Christian approaches to their work and representing to the Boards of Traidcraft plc and the Exchange the interests and opinions of stakeholders, especially of those overseas producer groups and partners.

THE TRAIDCRAFT FOUNDATION

TRUSTEES' REPORT



The Foundation is the founder member of Traidcraft Exchange, and appoints the trustees of Traidcraft Exchange. It also holds the Guardian Share in Traidcraft plc, to enable it to protect the vision and mission of that organisation. Through reviewing the Social Accounts, the Foundation seeks to encourage all parts of the Traidcraft group to carry forward its work in accordance with the Traidcraft Foundation Principles.

Our aims fully reflect the purposes that the Foundation was set up to further. We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the Trustees have considered how planned activities will contribute to the aims and objectives they have set.

Our main activities are described below. All our charitable activities are undertaken to further our charitable purposes and for the public benefit.

PRINCIPAL ACTIVITIES DURING THE YEAR

The Trustees met on two occasions during the year. They considered and dealt with the following principal matters:

- Review of Traidcraft's Social Accounts for 2009/10, and publication of a formal response to them. The Trustees' formal response noted Traidcraft's pioneering role in relation to charcoal and rubber products and the recognition that the environment needed a higher priority in Traidcraft's future strategy. The Trustees welcomed the qualitative expressions from producers of the impact of Traidcraft.
- Discussion in a joint meeting with the Board of issues arising from the Social Accounts.
- Discussion with the Board regarding the strategic review of Traidcraft's activities.
- Approval of the re-election of David Bowman, Paul Chandler and Jayne Mayled as directors of Traidcraft Exchange.
- Approved appointment of Stephen Timms as a trustee of the Traidcraft Foundation.
- Liz Cotton; Jenny Borden approved co-options onto Traidcraft boards.

Margaret Masson represented the Trustees as holder of the Guardian Share in Traidcraft plc at the Traidcraft Annual General Meeting in September 2010.

THE TRADCRAFT FOUNDATION

TRUSTEES' REPORT



TRAIDCRAFT
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CONSOLIDATED ACCOUNTS

The Trustees submit their annual report and audited financial statements for the year ended 31 March 2011. The financial statements, which have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice (SORP 2005) *Accounting and Reporting by Charities* and The Charities Act 1993, comprise the accounts of the Traidcraft Foundation and of Traidcraft Exchange, a subsidiary of the Foundation. In these accounts "Charity" means The Traidcraft Foundation or the charitable group comprising The Traidcraft Foundation and Traidcraft Exchange.

The Foundation controls the composition of the board of Traidcraft Exchange and the accounts of Traidcraft Exchange are consolidated with those of the Foundation.

The Foundation also controls the Guardian Share in Traidcraft plc, which confers certain protective powers. For example, the Trustees must give specific assent to change the Articles of Association of Traidcraft plc, wind up the company, appoint a director or Chair of the Board, or make any fundamental change to the operation of the Company.

The Trustees considered carefully whether or not to consolidate the results of Traidcraft plc into those of the Foundation. Legal advice taken by the Trustees indicated that given the nature and purpose of the Guardian Share and that there is no intended or actual control of Traidcraft plc by the Foundation Trustees, consolidation is not necessary or appropriate. A summary of the financial statements of Traidcraft plc is however, given in note 21.

FINANCIAL RESULTS AND FUTURE PROSPECTS

The results for the year ended 31 March 2011 are set out in detail in the financial statements on pages 12 to 34. The net outgoing resources for the Foundation (before consolidation) for the year was £ nil (2010: outgoing £ nil).

The Foundation (before consolidation) had gross incoming resources of £4,000 (2010: £4,000). The Foundation is jointly funded by Traidcraft Exchange and Traidcraft plc.

The Trustees believe that the assets of the Foundation are available and adequate to fulfil its obligations.

Traidcraft Exchange saw its total charitable expenditure reduce from £3,126,000 to £2,648,000, a decrease of £478,000 (15%). This reflects principally the cost reduction measures taken in March 2010 (some £250,000), and a reduction of £256,000 in the level of drawdowns required for project expenditure scheduled for the period. Expenditure on fundraising and governance was reduced from £638,000 (excluding restructuring costs of £90,000) to £578,000. Total expenditure on activities therefore fell from £3.85 million to £3.23 million.

Total income fell slightly from £3.57 million to £3.46 million, a decrease of 3%. Drawdowns from grants for current projects totalled £1.9 million, down from £2.1 million in the previous year (but still higher than the £1.5 million recorded in the year before that). Unrestricted income rose from £1.51 million to £1.58 million.

An underlying surplus on unrestricted funds of £184,000 was recorded. This is better than the previous year's underlying deficit of £170,000 (and last year we additionally incurred restructuring costs of some £90,000). This was a better outcome than had been budgeted. The year's surplus increased unrestricted reserves (excluding the pension reserve) from £494,000 to £553,000, which is below the target level for reserves in our reserves policy (£615,000).

During the year a payment of £68,000 was made into the closed Traidcraft final salary pension scheme, in addition to the agreed regular annual contribution of £21,000. Combined with movements in the value of pension assets and liabilities, the pension deficit reduced from £382,000 to £229,000). It has been agreed with the pension trustees that with effect from April 2011 the annual level of pension contributions will rise to £48,000.

The increase in unrestricted reserves and reduction in pensions deficit meant that the net unrestricted reserves of Traidcraft Exchange rose from £112,000 to £324,000.

AUDITORS

A resolution to reappoint Baker Tilly UK Audit LLP as auditors will be proposed at the Annual General Meeting of Traidcraft Exchange scheduled for 10th September 2011.

RELATIONSHIPS WITH OTHER BODIES

The Foundation and Traidcraft Exchange work in close co-operation with Traidcraft plc, particularly in the area of raising awareness of fair trade issues. The contact address for all three organisations is Kingsway, Gateshead, Tyne & Wear, NE11 0NE.

Traidcraft Exchange is affiliated to or a member of:

- WFTO – the World Fair Trade Organisation
- The Fairtrade Foundation
- British Overseas NGOs for Development (BOND)
- Ethical Trading Initiative (ETI)
- The Ecumenical Council for Corporate Responsibility (ECCR)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of its financial activities for that period. In preparing those financial statements the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the policies adopted are in accordance with applicable accounting standards, 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 assume that the Charity will continue in business.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with applicable accounting standards. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS

The Trustees who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

RESERVES POLICY

The Trustees have endorsed the view of the directors of Traidcraft Exchange that they consider it prudent that Traidcraft Exchange should seek to maintain unrestricted reserves at a level sufficient:

- a. To meet matched funding requirements. Our minimum level is that we should hold 50% of the requirement for contracts to be implemented over the next 12 months. The maximum acceptable level would be to cover 100% of matched funding required for contracts to be implemented over the next 12 months.
- b. To cover a minimum of three months and a maximum of four months budgeted staff, overheads and fundraising costs;
- c. To cover pension liabilities; a range of between a minimum of one year's contributions and a maximum of 100% of the liability is recommended.

The policy and target range of reserves are monitored and reviewed annually during the budget approval process to reflect risks and changes in income, financial obligations and expenditure. The target range for general unrestricted reserves, excluding pension reserves, set for 2010/11 was between £557,000 and £1,132,000, and for 2011/12 it is £615,000 - £1,280,000. At 31 March 2011 unrestricted reserves, excluding pension reserves, stood at £553,000. (We excluded pension reserves as this is a long term liability and instead set reserves to cover a minimum of one year's contribution into the scheme).

As Traidcraft plc and Traidcraft Exchange guarantee to cover reasonable expenses of the Traidcraft Foundation reserves are kept at approximately £1,000.

MAJOR RISKS AFFECTING THE CHARITY

Areas of most concern are as follows: insufficient unrestricted and restricted funding raised. The Trustees are satisfied that the directors of Traidcraft Exchange have adequately considered the risks associated with running that charity and are taking appropriate steps to manage them. More details regarding the major risks affecting Traidcraft Exchange can be found on page 15 of their financial statements.

GOING CONCERN

After making enquiries, the trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by the Trustees on 15 July 2011 and signed by Margaret Masson on their behalf.

Trustee



INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE TRAIDCRAFT FOUNDATION FOR YEAR ENDING 31 MARCH 2011

We have audited the financial statements of The Traidcraft Foundation for the year ended 31 March 2011 on pages 9 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees' responsibilities set out on page 6 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. 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 APB'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 group's and charity's affairs as at 31 March 2011 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is not consistent with the financial statements; or
- the parent charity has not kept sufficient accounting records; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BAKER TILLY UK AUDIT LLP,
Statutory Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

THE TRAIDCRAFT FOUNDATION

PRINCIPAL ACCOUNTING POLICIES



BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention, with the exception of investments which are shown at market value, the Statement of Recommended Practice (SORP 2005), *Accounting and Reporting by Charities* and the Charities Act 1993.

The Trustees have reviewed the accounting policies in accordance with Financial Reporting Standard No 18 - Accounting Policies, and consider them to be the most appropriate policies and estimation techniques.

Traidcraft Foundation has taken advantage of the exemption from preparing a cash flow statement as conferred by Financial Reporting Standard No.1 (Revised 1996) on the grounds that it qualifies as a small group under the requirements of SORP 2005.

The principal accounting policies of the Charity have remained unchanged from the previous year.

After making enquiries, the Board of Trustees has a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Refer to the Trustees Report for further details.

FUND ACCOUNTING

Unrestricted funds are funds that are available for use at the discretion of the trustees in furtherance of the general objectives of the charity.

Designated funds comprise unrestricted funds that have been put aside at the discretion of the trustees for a particular purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. The aim and use of each restricted fund is set out in the notes to the financial statements.

INCOMING RESOURCES

All incoming resources becoming available to the Charity during the year are recognised in the Statement of Financial Activities. Income is deferred where unrestricted incoming resources are received in advance of the service being provided. No incoming resources are stated net of expenditure.

Institutional grants, where related to performance and specific deliverables, are accounted for as the Charity earns the right to consideration by its performance. Where income is received in advance of performance its recognition is deferred and included in creditors. Where entitlement occurs before income is received the income is accrued and included in debtors.

Shares donated during the year are included in donations and valued at market value.

Legacies are recognised as income, in the accounting period, once the Charity has been informed of the amount of a bequest.

Investment income is recognised on a receivable basis.

The total incoming resources for the year and the movement on Restricted Funds are detailed in the Statement of Financial Activities.

RESOURCES EXPENDED

Expenditure is brought into the financial statements as it is incurred. Overheads (including management and administration costs) and other non-specific expenditure are allocated between charitable activities and generating funds in proportion to the number of staff employed within each area. This is shown as “overhead allocation” in the notes and apportioned on the following basis:

Fundraising	33%
International Programmes	38%
Social & Ethical Programmes	29%

Costs of generating funds are those incurred in seeking voluntary income and grants from institutional sources and do not include the costs of disseminating information in support of the charitable activities. These costs include the salaries, direct expenditure and overhead costs of the staff who promote fundraising.

Costs of charitable activities represent the salaries and overhead costs of staff directly working in International Programmes and the Policy Unit together with expenditure directly attributable to these activities.

Governance costs are the costs associated with the governance arrangements of the Charity which relate to the general running of the Charity as opposed to those costs associated with fundraising or charitable activity. Included within this category are the costs associated with the strategic as opposed to day-to-day management of the Charity’s activities.

Support costs represent the salaries of staff directly providing support to International Programmes and the Policy Unit and have been allocated accordingly.

Management and administration costs (referred to as ‘Overhead allocation’) represent the costs incurred by finance, IT and human resources attributable to the management of the Charity’s assets and organisational administration.

Irrecoverable VAT is charged as a cost to the Statement of Financial Activity.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date or at an agreed contractual rate.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value over the useful economic lives of all tangible fixed assets by the straight-line method. A full year's depreciation is charged in the year of acquisition. Only assets costing more than £500 are capitalised. The annual charges are based on:

Computer equipment	25% of cost per annum
Office furniture	10% of cost per annum

INVESTMENTS

Investments are valued by the trustees as their best estimate of market value at the year-end.

CONTRIBUTION TO PENSION FUNDS

For the defined contribution pension scheme, the pension costs charged to the Statement of Financial Activities represent the amount of the contributions payable in respect of the accounting period.

For defined benefit schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Financial Activities.

Defined benefit schemes are funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability.

The administration costs of running the closed defined contribution scheme are charged to the Statement of Financial Activities.

Further details are provided in the notes to the accounts.

LEASED ASSETS

Traidcraft Exchange only has operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

GRANTS PAYABLE

Funds received by The Traidcraft Foundation which are not required to meet its minor administrative costs are transferred by way of periodic grants to Traidcraft Exchange.

TAXATION

Traidcraft Exchange's charitable activities fall within the exemption afforded by section 505 of the Income Corporation Taxes Act 1988. Accordingly there is no provision in these accounts.

THE TRAIDCRAFT FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2011

The notes on pages 14 to 34 form part of these Financial Statements



TRAIDCRAFT
Fighting poverty through trade

THE TRADCRAFT FOUNDATION

BALANCE SHEET AT 31 MARCH 2011



	Note	Foundation		Consolidated	
		2011 £000	2010 £000	2011 £000	2010 £000
Fixed assets					
Tangible	11	-	-	19	21
Current assets					
Debtors	12	3	3	222	188
Investments	13	1	1	47	44
Cash at bank and in hand		-	-	1,592	1,857
		4	4	1,861	2,089
Creditors: amounts falling due within one year					
Creditors	14	3	3	(1,062)	(1,350)
Net current assets		1	1	799	739
Total assets less current liabilities		1	1	818	760
Provision for liabilities	15	-	-	-	(54)
		1	1	818	706
Defined benefit pension scheme liability	16	-	-	229	382
Funds and reserves					
Restricted funds	18	-	-	253	200
Unrestricted funds - Designated	18	-	-	11	11
Unrestricted funds – General (excluding pension reserve)	18	1	1	554	495
Pension reserve	18	-	-	(229)	(382)
		1	1	589	324
		1	1	818	706

The notes on pages 14 to 34 form part of these Financial Statements.

The consolidated financial statements on pages 12 – 34 were approved by the Trustees and authorised for issue on 15 July 2011 and are signed on their behalf by:

Margaret Masson, Trustee

THE TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011



1 INCOMING RESOURCES

	Consolidated			
	2011	2011	2011	2010
	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds
	£000	£000	£000	£000
Donations from individuals				
Regular giving	404	-	404	406
Direct mail activities	240	-	240	287
Fair Traders	111	-	111	103
Traidcraft plc customers/shareholders	139	-	139	111
Community events	120	-	120	116
Challenge events	40	-	40	53
Tax reclaimed through Gift Aid	186	-	186	213
Miscellaneous	177	9	186	139
	1,417	9	1,426	1,428

	Consolidated	
	2011	2010
	£000	£000
	Restricted	Restricted
Grants from Institutional Sources		
<u>Government Bodies and Multilateral</u>		
Department for International Development	316	383
European Community	512	856
FAO (UN Food and Agricultural Organisation)	-	(2)
IFAD	265	175
ICCO	48	55
<u>Trusts & Charities</u>		
Big Lottery Fund	408	366
Beatrice Laing Trust	-	10
CAFOD (Catholic Fund for Overseas Development)	12	26
TRAID	18	-
Comic Relief	34	30
Commonwealth Foundation	10	-
Network for Social Change	14	-
Anonymous	43	-
Oxfam	30	-
Anonymous	-	27
The Ceniarth Foundation	17	35
Benfield Motors Charitable Trust	10	10
Stanley Thomas Johnson Foundation	13	12
Grants under £10,000	61	64
<u>Companies</u>		
Traidcraft plc	48	16
	1,859	2,063

1 INCOMING RESOURCES (CONTINUED)

	Consolidated	
	2011	2010
	Unrestricted	Unrestricted
	£000	£000
Trusts and Charities		
Grants of £10,000 or more	12	-
Grants between £1,000 and £10,000	23	16
Grants under £1,000	7	7
	42	23

2 OTHER INCOME

	Foundation		Consolidated			
	2011	2010	2011	2011	2011	2010
	Total	Total	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds	Funds	Funds
	£000	£000	£000	£000	£000	£000
International consultancy and marketing services	-	-	45	10	55	23
Miscellaneous	-	-	20	7	27	19
Traidcraft Exchange	2	2	-	-	-	-
Traidcraft plc	2	2	2	-	2	2
	4	4	67	17	84	44

The activities giving rise to other income are all carried out in furtherance of the objects of the Charity.

3 COSTS OF GENERATING FUNDS

	Consolidated			
	2011	2011	2011	2010
	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds
	£000	£000	£000	£000
Direct salaries	240	-	240	273
Travel and accommodation	4	-	4	2
Other direct costs	157	-	157	166
Overhead allocation	141	-	141	163
	542	-	542	604

The total costs of generating funds excluding allocated overheads (£401,000) represented 10% (2010: 13.5%) of the total value of new money raised during the financial year. £4,051,000 was raised during the year (£1,441,000 was raised by the Public Fundraising team and £2,610,000 in new grants was won by the Institutional Fundraising team). Some of the funds raised by the Institutional Fundraising team have not yet however been recognised in the

THE TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 March 2011

Statement of Financial Activities. These are restricted funds that can only be recognised upon implementation of the project activities they are financing.

4 CHARITABLE ACTIVITIES

	Foundation		Consolidated			
	2011	2010	2011	2011	2011	2010
	Total	Total	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds	Funds	Funds
	£000	£000	£000	£000	£000	£000
International Programmes						
Direct salaries	-	-	282	171	453	573
Travel & accommodation	-	-	12	98	110	115
Direct programme costs	-	-	167	1,240	1,407	1,620
Overhead allocation	-	-	34	135	169	256
	-	-	495	1,644	2,139	2,564
Social & Ethical Programmes						
Direct salaries	-	-	117	102	219	194
Travel & accommodation	-	-	13	11	24	14
Direct programme costs	-	-	65	62	127	212
Overhead allocation	-	-	128	11	139	142
	-	-	323	186	509	562
Grants to Traidcraft Exchange	-	-	-	-	-	-
	-	-	818	1,830	2,648	3,126

Overseas salaries have been re-categorised for 2010 as direct salaries rather than direct programme costs.

5 RESOURCES EXPENDED

	Consolidated					
	Direct	Travel &	Direct	Overhead	Total	Total
	salaries	accomm.	programme	allocation	2011	2010
	£000	£000	costs	£000	£000	£000
	£000	£000	£000	£000	£000	£000
Costs of generating funds						
Voluntary income	115	-	148	87	350	402
Institutional sources	125	4	9	54	192	202
Charitable activities						
International programmes	453	110	1,407	169	2,139	2,564
Social & ethical programmes	219	24	127	139	509	562
Restructuring costs	-	-	-	-	-	90

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011



TRAIDCRAFT
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Governance	-	-	29	-	29	19
Other finance costs	-	-	9	-	9	15
Total Resources Expended	912	138	1,729	449	3,228	3,854

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5 RESOURCES EXPENDED (CONTINUED)

Total resources expended include the following amounts:-

	Consolidated	
	2011	2010
	£000	£000
Depreciation	11	16
Operating leases	48	49
Auditor's remuneration		
- as auditors	9	7
- for other services	10	6

The fees charged by the auditors can be further analysed under the following headings for services rendered:-

	2011	2010
	£000	£000
Baker Tilly UK Audit LLP: Audit	9	8
Baker Tilly Tax & Accounting Limited: Accountancy	10	6
	19	14

6 DIRECT PROGRAMME COSTS

	Consolidated	
	2011	2010
	£000	£000
Consultants	143	127
Programme running cost	423	376
In-country management costs	94	71
Governance	29	19
Transfers to local partners	1,031	1,424
Finance costs	9	15
	1,729	2,032
Reallocated to:		
Charitable activities	1,534	1,832
Costs of generating funds	157	166
Governance	29	19
Finance costs	9	15
	1,729	2,032

7 GOVERNANCE

Foundation		Consolidated	
2011	2010	2011	2010
£000	£000	£000	£000

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For the year ended 31 March 2011

Audit fees and related costs	3	3	19	13
Internal audit costs	-	-	2	3
Board meetings and overseas travel	1	1	3	3
Legal and statutory	-	-	5	-
	<u>4</u>	<u>4</u>	<u>29</u>	<u>19</u>

Included in the Consolidated Audit Fees is the Social Audit fee of £5,600 (2010: £5,600).

8 ANALYSIS OF OVERHEAD ALLOCATION

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	<u>Salaries</u>						<u>Consolidated</u>	
	<u>Mgmt & Admin</u>	<u>Support</u>	<u>Office services</u>	<u>Office machinery & consumables</u>	<u>Financial services</u>	<u>PR & Comms</u>	<u>Total 2011</u>	<u>Total 2010</u>
	£000	£000	£000	£000	£000	£000	£000	£000
Costs of generating funds								
Voluntary income	49	-	27	2	5	4	87	99
Statutory bodies	30	-	17	2	3	2	54	64
Charitable activities								
International programmes	89	10	48	4	11	7	169	256
Social & ethical programmes	68	13	42	4	7	5	139	142
Governance	-	-	-	-	-	-	-	-
Other resources expended	-	-	-	-	-	-	-	-
Total Resources Expended	<u>236</u>	<u>23</u>	<u>134</u>	<u>12</u>	<u>26</u>	<u>18</u>	<u>449</u>	<u>561</u>

Overheads have been apportioned based on the number of full time staff equivalents in each department.

Management and administration salaries include the salaries of staff working in IT (£22,000), Finance (£82,000), HR (£20,000), Public Relations (£44,000) and general management (£37,000). It also includes recruitment, relocation, training and other staff costs. Support salaries include the salaries of employees directly supporting staff working in the Policy Unit and on International Programmes.

Office services include rent, insurance and general office running expenses.

Office machinery and consumables includes depreciation and non-capital office furniture, fittings and equipment.

Financial services include bank charges, irrecoverable VAT and membership fees and subscriptions. There is also a charge of £1,680 (2010: £1,837) for Trustees Indemnity Insurance.

PR & Comms is the cost of preparing communications for the Charity and includes the cost of trips to visit projects to provide reports to our supporters.

9 STAFF COSTS AND RELATED EXPENDITURE

	Consolidated	
	2011	2010
	£000	£000
Salaries	762	971
Social security costs	72	77
Pension costs (excluding contributions to defined benefit scheme – FRS 17)	55	74
	<hr/>	<hr/>
Subtotal: employment costs	889	1,122
Overseas salaries and staff costs	257	242
Recruitment and relocation	6	19
Training and other staff costs	18	21
	<hr/>	<hr/>
	1,170	1,404
	<hr/> <hr/>	<hr/> <hr/>

One member of staff, the Chief Executive, earned a salary of between £60,000 - £70,000 per annum during the year. This was paid by Traidcraft plc with 40% of the salary costs borne by Traidcraft Exchange.

The costs of employing the senior management team, who work across both the Charity and Traidcraft plc, including the executive officers, are shared between both companies in proportion to time spent.

The average number of full-time equivalent employees during the year was:

	Consolidated	
	2011	2010
	No.	No.
International programmes, Policy Unit and support	25	29
Fundraising	8	10
Management and administration	7	9
	<hr/>	<hr/>
	40	48
	<hr/> <hr/>	<hr/> <hr/>

10 TRANSACTIONS WITH TRUSTEES

Paul Chandler, the Chief Executive of Traidcraft plc and Traidcraft Exchange, was paid by Traidcraft plc with Traidcraft Exchange sharing a proportion of these costs.

THE TRAIDCRAFT FOUNDATION

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For the year ended 31 March 2011

There are no trustees to whom retirement benefits are accruing under the defined benefit pension scheme. Trustees received no remuneration from the Foundation. Total expenses paid to four (2010: four) trustees of the Foundation amounted to £617 (2010: £461). Total expenses paid to five (2010: seven) of the Trustees of Traidcraft Exchange amounted to £1,051 (2010: £1,155). These related to the costs of attendance at board and other meetings.

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11 TANGIBLE FIXED ASSETS

	Consolidated	
	2011	2010
	£000	£000
Furniture and Equipment		
Cost		
At 1 April 2010	187	188
Additions	9	4
Disposals	-	(5)
At 31 March 2011	196	187
Depreciation		
At 1 April 2010	166	153
Less depreciation on disposals	-	(3)
Charge for year	11	16
At 31 March 2011	177	166
Net Book Value at 31 March 2011	19	21
Net Book Value at 31 March 2010	21	35

12 DEBTORS

	Foundation		Consolidated	
	2011	2010	2011	2010
	£000	£000	£000	£000
VAT receivable	-	-	8	9
Accrued income	-	-	159	126
Other debtors	3	3	55	53
	3	3	222	188

13 INVESTMENTS

	Foundation		Consolidated	
	2011	2010	2011	2010
	£000	£000	£000	£000
At 1 April 2010	1	1	44	26
Additions in period	-	-	3	18

THE TRAIDCRAFT FOUNDATION

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For the year ended 31 March 2011

Market value at 31 March 2011	1	1	47	44
Cost	1	1	1	1

Shares in Traidcraft plc are not listed on any stock exchange and were valued by the Trustees as at 31 March 2011 at the price at which Traidcraft plc share were sold to the public during the year. The Trustees are of the opinion that there is no material difference between this price and the market value. Other shares were valued at market value on 31 March 2011. Additions during the year were the result of donations of shares to Traidcraft Exchange.

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14 CREDITORS: amounts falling due within one year

	Foundation		Consolidated	
	2011 £000	2010 £000	2011 £000	2010 £000
Supporters loans	-	-	3	3
Trade creditors	-	-	16	10
Accrued expenses and deferred income	3	3	923	1,292
Traidcraft plc	-	-	98	40
Other creditors	-	-	22	5
	3	3	1,062	1,350

Included within 'Accrued expenses and deferred income' is:

- £23,531 for ICB/1/010233984, £47,672 for ICB/1/010283612 and £49,258 for ICB/1/010309405 which relate to funds received from the Big Lottery Fund that had not been spent at the year end.

15 PROVISIONS FOR LIABILITIES

	Redundancy costs £000
At 1 April 2010	(54)
Movement in year in Statement of Financial Activities	54
At 31 March 2011	-

The provision relates to redundancy costs to which the company was contractually obligated at the year end.

16 PENSIONS

Closed defined benefit scheme:

Until 31 March 2001 Traidcraft operated a defined benefit funded pension scheme covering the pension arrangements of employees of Traidcraft plc and Traidcraft Exchange, providing a pension linked to final salary. This scheme is now closed but not wound-up and Traidcraft plc and Traidcraft Exchange continue to make contributions to it, working with the scheme trustees to agree appropriate contribution levels. Traidcraft plc is the principal employer within the combined Traidcraft defined benefit pension scheme and Traidcraft Exchange is the participating employer.

For the year ended 31 March 2011

The triennial actuarial valuation prepared as at 1 April 2010 indicated that the scheme is approximately 61% funded against technical provisions with a deficit of £2,215,000. The agreed ongoing funding to be paid by the employer is £220,000 per annum which is intended to bring the scheme up to a fully-funded position by 31 March 2023. The total charge for the year paid by Traidcraft relating to this scheme, including administration costs, was £466,000 (2010 - £155,000). This included a one-off contribution of £325,000. This cost is divided between Traidcraft plc and Traidcraft Exchange, according to the prevailing advice about the split of liabilities in the scheme. The charity expects to contribute £48,400 to the defined benefit pension plan in the year to 31 March 2012. It should be noted that the deficit calculated in the triennial valuation and the deficit calculated under FRS17 differ as the two methods require different assumptions to be used.

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16 PENSIONS (CONTINUED)

The Financial Reporting Standard 17 “Retirement Benefits” (FRS 17) requires that the following further disclosure is made about the closed defined benefit pension scheme. The actuarial valuation has been updated by the qualified scheme actuary to 31 March 2011. Assumptions used were:

	Value at 31 March 2011 (per annum)	Value at 31 March 2010 (per annum)	Value at 31 March 2009 (per annum)
Rate of increase of pensions accrued post 5 April 1998	3.5%	3.7%	2.9%
Rate of revaluation of deferred pensions	3.5%	3.7%	2.9%
Discount rate	5.5%	5.5%	7.2%
Inflation assumption	3.5%	3.7%	2.9%

The amounts recognised in the balance sheet are as follows:

	2011 £000	2010 £000
Present value of funded obligations	(1,132)	(1,123)
Fair value of scheme assets	903	741
Deficit in the scheme	(229)	(382)

Changes in the present value of the defined benefit obligation scheme are as follows:

	2011 £000	2010 £000
Opening defined benefit obligation	1,123	710
Interest on scheme liabilities	61	51
Actuarial loss/(gain)	(25)	376
Benefits paid	(27)	(14)
Closing defined benefit obligation	1,132	1,123

Changes in the fair value of scheme assets are as follows:

	2011 £000	2010 £000
Opening fair value of scheme assets	741	584

THE TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 March 2011

Expected return on scheme assets	52	36
Contributions by employer	89	23
Actuarial gain/(loss)	48	112
Benefits paid	(27)	(14)
Closing fair value of scheme assets	903	741

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16 PENSIONS (CONTINUED)

Amounts charged to the Statement of Financial Activities:

	2011	2010
	£000	£000
Interest on obligation	61	51
Expected return on assets	(52)	(36)
Total operating charge/(income)	9	15

Amounts charged to the Statement of Recognised Gains and Losses are as follows:

	Company		Cumulative	
	2011	2010	2011	2010
	£000	£000	£000	£000
Actuarial (loss)/gains	73	(264)	(249)	(322)

The major categories of plan assets as a percentage of total plan assets are as follow:

The assets in the old scheme and the expected rate of return were:

	Assets at 31	Assets at 31
	March	March
	2011(%)	2010(%)
Equities	72.7	77.5
Bonds	19.5	22.4
Other	7.8	0.1

The overall expected long term return on plan assets is a weighted average of the expected long term returns for equity securities, debt securities and other assets.

History of asset values, present value of liabilities and surplus/deficit

2011	2010	2009	2008	2007
£000	£000	£000	£000	£000

THE TRADCRAFT FOUNDATION

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For the year ended 31 March 2011



Defined benefit obligation	(1,132)	(1,123)	(710)	(853)	(981)
Fair value of scheme assets	903	741	584	764	855
(Deficit)/surplus in the scheme	(229)	(382)	(126)	(89)	(126)
Experience gains/(losses) on scheme liabilities:	7	(6)	7	(15)	-

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16 PENSIONS (CONTINUED)

Principal demographic assumptions

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on future lifetime from retirement age 65 are:

	2011	2010
<i>Males</i>		
Retiring today	20.9	20.8
Retiring in 20 years	22.7	22.7
<i>Females</i>		
Retiring today	24.1	24.1
Retiring in 20 years	26.1	26.1

Defined contribution scheme:

At 31 March 2001 Traidcraft closed entry to the defined benefit scheme and closed accrual of future benefit within that scheme. On 1 April 2001 Traidcraft introduced a Group Personal Pension Scheme (a type of defined contribution scheme) which now has a company contribution rate of 7.5% (2010 7.5%). Traidcraft Exchange made contributions of £47,000 during the past year (2010 - £64,000) and this cost, together with administration charges of £8,000 (2010 £10,000) relating to the closed scheme comprise the pension cost of £55,000 (2010 £74,000) shown in Note 9 to these accounts.

17 TRANSACTIONS WITH RELATED PARTIES

The following are related parties of the Foundation and the relationship is as follows:

1. Traidcraft Exchange is a company limited by guarantee, a registered charity and a subsidiary of The Traidcraft Foundation. The activities of the organisation include fund-raising, media exposure, developing partners in the third world and ethical business work. Traidcraft Foundation is the founder member of Traidcraft Exchange and in a general meeting has the number of votes that exceeds by one the number of all other votes cast. All activities of Traidcraft Exchange have been consolidated on a line by line basis in the SOFA.
2. Traidcraft plc is a company of which Traidcraft Foundation owns the one Guardian Share. This confers certain protective powers on the Foundation (see note on Page 5 under "Consolidated Accounts"). Traidcraft

THE TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 March 2011

plc imports handicrafts, fashion goods and clothing, tea, coffee and foodstuffs from developing countries, which it sells through its Fair Trader network, by wholesale and by direct mail.

3. Costs of running Traidcraft Foundation are met equally by Traidcraft Exchange and Traidcraft plc.

Transactions during the year were as follows:

	2011 £000	2010 £000
Traidcraft plc		
Purchase of goods and services by Traidcraft Exchange	274	195
Sale of services by Traidcraft Exchange (mainly consultancy services)	(15)	(9)
Donations to Traidcraft Exchange	(48)	(16)
Donations to Traidcraft Foundation	-	(3)
Balance due from related parties at 31 March 2011		
Traidcraft Exchange	3	3

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18 ANALYSIS OF FUNDS

	Foundation			Consolidated		
	Restricted 2011 £000	Unrestricted 2011 £000	Total 2011 £000	Restricted 2011 £000	Unrestricted 2011 £000	Total 2011 £000
Fixed assets	-	-	-	-	19	19
Debtors	-	3	3	93	129	222
Investments	-	1	1	-	47	47
Cash at bank & in hand	-	-	-	1,013	579	1,592
Creditors due in 1 year	-	(3)	(3)	(853)	(209)	(1,062)
Defined benefit pension scheme liability	-	-	-	-	(229)	(229)
	-	1	1	253	336	589

There are sufficient resources held in an appropriate form to enable all funds to be applied in accordance with their restrictions.

The Designated Fund represents funds that Traidcraft Exchange has set aside to fund its Catalyst Fund. This fund will support the further development of our strategic programmes by making grants for much needed feasibility studies and innovative pilot projects to facilitate the development of more significant and effective programmes of work for which we can then seek project funding. In total £140,000 has been designated to the Catalyst Fund since its inception in 2004/5. £100,000 was undesignated in 2008/09 and £29,333 has been utilised, leaving a balance of £10,667 in the Designated fund as at 31st March 2011 (most of which has already been committed to Catalyst Projects). Restricted funding has also been received for the Catalyst Fund and is disclosed separately in Note 22.

Unrestricted Funds (£000)

	B/fw	Income	Expenditure	Other gains/(losses)	Transfers	C/fwd
Unrestricted funds	11	1,582	1,398	26	2	325
Designated Catalyst fund	1	-	-	-	-	11

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For the year ended 31 March 2011



12	-	-	-	-	336
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In 2008, European Commission (EC) appointed auditors carried out audits on four of our EC funded projects. The auditors had classified some of the project expenditure claimed by Traidcraft as ineligible and subject to repayment. Whilst disputing these findings we felt it was prudent to provide for £30,000 of these costs. The matter has now been resolved successfully and £28,000 was transferred back to unrestricted reserves in 2009/10 and £2,000 in 2010/11.

19 RESTRICTED FUNDS

	Foundation		Consolidated	
	2011 £000	2010 £000	2011 £000	2010 £000
Grants received for work not yet completed	-	-	253	200
	-	-	253	200

See note 22 for detailed analysis of the movement on Restricted Funds.

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20 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2011 the charity had annual commitments under non-cancellable operating leases as set out below.

	2011 £000	2010 £000
Operating leases which expire:		
<u>Land and Buildings</u>		
Within 1 year	41	42
Within 2 to 5 years	78	67
<u>Other</u>		
Within 1 year	7	7
Within 2 to 5 years	7	1
	133	117

21 TRAIDCRAFT PLC AND TRAIDCRAFT EXCHANGE - FINANCIAL DETAILS

The Foundation holds directly 1,000 shares in Traidcraft plc and indirectly, through Traidcraft Exchange, a further 45,540 shares in Traidcraft plc:

	2011 No.	2010 No.
Ordinary voting 10p shares	46,540	44,298
	46,540	44,298
Summary Financial Statements: Traidcraft plc.		
	2011 £000	2010 £000

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For the year ended 31 March 2011



TRAIDCRAFT
Fighting poverty through trade

Aggregate value of capital and reserves	5,151	4,475
Turnover:		
Continuing operations	14,391	14,892
Commissions	(141)	(137)
	14,250	14,755
Cost of sales	(8,855)	(9,234)
Gross profit	5,395	5,521
Distribution costs	(659)	(710)
	4,736	4,811
Administration expenses	(5,033)	(5,292)
Other operating income	553	643
Operating (loss)/profit before interest	256	162
Interest receivable	1	1
Interest payable	(21)	(21)
Exceptional profit on sale of fixed asset investment	324	-
Other finance income (costs)	(20)	(52)
(Loss)/Profit before taxation	540	90
Taxation	(58)	(29)
	482	61

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Summary Financial Statements: Traidcraft Exchange

	2011	2010
	£000	£000
Aggregate value of capital and reserves	588	323
Incoming resources	3,465	3,570
Resources expended	3,226	3,854
Net (expenditure)/income for the year	239	(284)

22

RESTRICTED FUNDS

The table on pages 33 and 34 analyses the restricted funds at the year-end. In each case income is received from a funder or funders and programme expenditure (including staff time where appropriate) is charged against this. The column for 'Overhead Allocation' includes management and administration costs and support salaries. At any point in time any sums held which have not been spent in accordance with the terms of the agreement of the funder are held in a Restricted Fund or as Deferred Income and are identified by the name of the project or piece of work to which they relate. The restricted funds are listed below and the details include the main funder. It should be noted however that with some projects there have been other sources of funding.

International Programmes

Tea Producers theme

EqualiTea: This project aims to reduce poverty among 51,000 small tea growers (STGs) in India and Bangladesh by enabling them and their representative bodies in India and Bangladesh to realise fairer terms of trade, mainly through group organisation. Donor: European Commission.

Cotton Producers theme

Fair Trade Cotton, Kenya. The project's overall aim is to reduce poverty amongst poor communities in the Eastern Province of Kenya. Specifically, the project aims to enable small-scale farmers in the Kitui and Mwingi Districts to earn increased income from trade in cotton. The farmers will have increased voice by forming farmers groups and umbrella organizations, better working relationships with the ginnery and access to inputs and credit from lending institutions. Donor: Comic Relief

From Field to Market: sustainable livelihoods for cotton farmers & labourers: In July 2008, Traidcraft was awarded a grant totalling £370,490 over a 3 year period from DFID Civil Society Challenge Fund, of which a total of £339,851 has been received by Traidcraft: £87,826 in year one, £136,943 in year two and £115,082 in year three. The project will increase farmers'/labourers' understanding of the cotton trade & policy environment, develop their collective voice, & enable them to negotiate more effectively with duty bearers (policy makers & supply chain actors). The cotton farmers/labourers will benefit from improved income, better working conditions, improved health & improved environmental conditions. Donor: DFID

22 RESTRICTED FUNDS (CONTINUED)

Sustainable Textiles for Sustainable Development: The project will promote sustainable production & consumption of textile products through awareness raising, capacity building & providing support to the private sector. The project will ensure sustainable production by implementing eco-friendly technologies in textile production, reducing usage, spillage & wastage of water & energy & promoting organic textiles. On the demand side, product development based on market research & effective marketing strategies to promote environmentally friendly textiles will positively impact consumers' choice/buying decisions, leading to sustainable consumption. Working with the textile small & medium enterprises (SMEs) will directly & indirectly contribute to poverty alleviation by improving working & living conditions of artisans by reducing water pollution. Donor: European Commission.

Golden Fibre Project in Bangladesh: In June 2009, Traidcraft was awarded a grant totalling £475,477 over a five year period from DFID Civil Society Challenge Fund, of which a total of £210,687 has been received by Traidcraft: £91,809 in year one and £118,878 in year two. This project addresses issues of marginal jute growers and producers in two of the poorest and best jute growing districts in Bangladesh. The model being used is organising small tea growers to give them identity, facilitate access to better quality inputs, improve their production techniques and productivity to draw better prices, develop negotiation skills to further their position in the supply chain, and eventually establish a national association to get Government and policy makers' attention to jute growers' and producers' needs. This is being complemented activities in the UK to raise awareness about the conditions of Jute growers and producers in Bangladesh.

Jute: an eco-friendly alternative for a sustainable future: This project will support at least 500 SMEs which produce Jute Development Parks (JDPs) to develop eco-friendly production processes (i.e. reduce water and energy consumption, chemical residues and emissions of greenhouse gases, and increase the use of azo-free dyes). The purpose of this project is to increase the demand of jute and eco-friendly JDPs in order to strengthen environmental sustainability and improve the livelihoods of producers and workers in the jute and JDP sectors. Given the

THE TRADCRAFT FOUNDATION

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interdependency between the Indian and Bangladeshi jute industries, the project is aimed at working with existing synergies to develop the jute industry in Bangladesh and India (but focusing on Bangladesh) by exchanging learning and experiences between the two countries. Donor: European Commission

Business Development Services theme

Sustainable Livelihoods for Poor Producers, Bangladesh: This project aims to reduce poverty among poor and marginalised communities in Northern Bangladesh by increasing income and employment opportunities and strengthening the ability of local organisations to support poor producers. Donor: European Commission.

Sustainable livelihoods for Haluaghat tribeswomen: Working with women-headed households from the marginalised Garo tribal community in Haluaghat, Northern Bangladesh, this 12-month pilot project focuses on improving their current livelihood options and is run as a pilot to ensure the activities are adapted to meet the specific needs of Garo tribal groups, with a view to developing a larger scale programme. Various donors.

Kenyan Craft Producers: The project's overall aim is to reduce poverty amongst poor craft producers in Kenya. Specifically, the project aims to enable small-scale craft producers to earn increased income from trade in crafts. The crafts producers will be able to increase their skill sets and ability to operate as viable businesses through accessing Business Development Services. Donor: Ferguson Trust.

22 **RESTRICTED FUNDS (CONTINUED)**

'Sarthee' Business Counselling, India: The aim of this 33-month project is to support Business Development Services (BDS) provider organisations to develop high quality, effective business counselling skills for pro-poor micro and small enterprises (MSEs) so that they are able to access European markets effectively. This project will focus on 10 BDS provider organisations working with MSEs all over India. It will train 20 business counsellors, two from each BDS provider. Each of the participants will work with at least five MSEs. During the life of the project, 100 microenterprises with an average of 2000 employees will receive business services from the participating organisations. The project will also train 10 trainers who will continue to train business counsellors after the end of the project. Donor: European Commission.

Sustainable Livelihoods for Young People and Women in Tamil Nadu: The overall goal of the project is to alleviate poverty and contribute towards the social and economic development of communities devastated by tsunami in Tamil Nadu. Research has shown that rather than concentrating on replicating previous livelihoods (like fishing), recovery and rehabilitation efforts should focus more on increasing alternative livelihood opportunities and supporting women, young people and other vulnerable groups. This project will support the diversification of livelihoods into non-fishing and non-farm activities through capacity building and skills training for young people (18-25 years) and women. Donor: Big Lottery Fund (ICB/1/010233984).

Building Market Services Programme in East Africa: aims to test an approach for enhancing small producer's access to markets, which enables them to increase their earnings and capture a greater share of consumer prices. In addition, to deepen the understanding of the extent to which local market intelligence and brokering services can be provided commercially to producers and develop best practice on how IFAD can promote and support the supply of these services. Donors: IFAD.

Initiative for Sustainable Livelihoods for Andaman and Nicobar Development (ISLAND): The overall goal of the project is to alleviate poverty and contribute towards the social and economic development of communities devastated by the tsunami in the Andaman and Nicobar islands. The major livelihoods of the population in tsunami-affected areas were fishing and agriculture. This project will support the diversification of livelihoods into allied activities by organising communities into producer groups, developing business services and providing training and support in seaweed farming or fruit/vegetable cultivation. The project is in line with the government's efforts to rebuild livelihoods in the islands and revitalize the economy through new livelihood opportunities in the form of high value agriculture and aquaculture that is not harmful for the local environment. The sustainability of this project will be ensured by developing and ensuring sustainable business service provision in the Islands. NB: major difficulties were encountered in implementing the project, and in 2010 we decided to close it early. Donor: Big Lottery Fund (ICB/1/010283612).

Fair Trade Theme

Promoting Fair Trade, India (PROFIT): aims to reduce poverty amongst more than 40,000 poor and marginalised producers in India by developing fair trade markets in India. The PROFIT Secretariat has funding from ICCO to secure three positions for staff to work on the project. Donor: European Commission.

Shop for Change - Scaling Success: Established in 2009, Shop for Change (a not-for-profit organization) promotes fair trade in India and successfully launched a fair trade label for the Indian domestic market with fair trade standards and certification systems relevant to the Indian context. This two-year project focuses on taking this work to scale by creating a consumer market for fair trade products in India that measurably contributes to the improvement of farmers' livelihoods. Donor: ICCO

Shop for Change – Producer Support: Following the launch of a domestic fair trade label in India, over 5,000 small-scale producers are already certified as fair trade. This project builds on the work of Shop for Change by helping more small-scale producers in India to achieve compliance to fair trade standards and principles. Donor: Blandford Lake Trust.

22 **RESTRICTED FUNDS (CONTINUED)**

Fair Trade Plus: The aim of this project is to increase the impact of fair trade on poverty in India. The project will train 10 trainers from fair trade intermediary organisations. The training will consist of two parts: Fair Trade Standards, and Training skills. These courses, along with a fair trade tool-kit, will enable the participant trainers to train fair trade MSEs to understand the rights and responsibilities of different actors in the fair trade supply chain. The participant trainers will receive mentoring to ensure learning is embedded and implemented. The participant trainers will visit Europe to: meet fair trade intermediary organisations to learn from their experience of supporting MSEs and understand the fair trade market; and meet fair trade buyers to learn about their expectations and to explain producer constraints in implementing standards. The project will directly benefit at least 100 MSEs and 2,000 producers. Donor: European Commission.

Fair Trade Craft Labelling: The project is focused on understanding the UK market for a Fair Trade crafts standard and mark. While the outputs of this project will benefit crafts producers across the developing world, much of the work will necessarily be undertaken in the UK. Donor: Sainsbury Fair Development Fund.

Emerging Themes

Strengthening community based Non Timber Forest Produce (NTFP) management and trade for livelihood enhancement and ecological security in Orissa, India: The project is implemented in eight clusters/zones belonging to four districts of Orissa in India. It focuses on creating institutions of forest dependent communities, sensitizing them on the issues in sustainable forest management and building up their capacity to protect, manage and conserve environmental and forest resources. The project aims to achieve greater control of local communities especially the forest dependents over forest resources. Sustainable forest resource management along with forest product development and market development would definitely enhance the livelihood options for the primary collectors and producers of Non Timber Forest Produce. Donor: European Commission.

Beekeeper Economic Empowerment (BEE) Project Tabora, Tanzania: The aim of this project is to reduce poverty among poor communities in the Tabora region of Tanzania. This will be achieved by enabling small scale farmers in the Urambo and Sikonga districts in the region to earn an increased income from trade in honey and beeswax products. Donor: European Commission.

Beekeeping Enterprise for Livelihood Improvement in Extremely Vulnerable Environments 'BELIEVE,' Tanzania: The project's objectives are to: Enable beekeepers to form groups and act collectively, so they are in a stronger position to negotiate fairer prices with buyers and make their collective voice heard with policy makers; Improve beekeepers' bee husbandry skills and quality control methods, enabling them to produce larger quantities of better quality honey which they can sell for higher prices; Encourage improved environmental management, so that natural resources in the target districts are protected and sustained (essential for successful honey production); Establish an independent intermediary business service to bridge the gap between isolated rural beekeepers and Nairobi-based honey buyers/packers; Increase national and regional demand for Kenyan honey, assuring the long-term viability of beekeeping as a sustainable livelihood. Donor: Big Lottery Fund (ICB/1/010309405).

Improving Livelihoods in the Smallholder Dairy Sector, Kenya: In April 2007, Traidcraft was awarded a grant totalling £323,175 over a three year period from DFID Civil Society Challenge Fund, of which a total of £323,175 has been received by Traidcraft: £89,453 in year one, £115,003 in year two, £98,420 in year three and £20,299 in year four. The project will enable traders of raw milk in the Kenyan dairy industry to contribute effectively to the creation of policy and institutional frameworks that are responsive to the needs of the poor. These frameworks should provide equal access to markets and the right to trade for raw milk traders, and access to affordable, good quality milk for poorer consumers. Learning from the project will contribute to the wider goal of ensuring that the informal sector, small traders and producers enjoy their right to a dignified livelihood through inclusion in legalized markets.

22 RESTRICTED FUNDS (CONTINUED)

Strengthening agricultural innovations to boost sustainable food security: Working in collaboration with Christian Aid, the objective of this project is to improve access to and utilisation of climate knowledge and market intelligence by small-scale farmers in Central Kenya by 2014. Donor: Christian Aid.

Other projects

The aim of the School Resources project is to educate school children about fair trade by providing on-line resources linked directly to the curriculum. The lesson plans will be for Key Stage 2 and Key Stage 3 students. Activities and assembly materials will also be included for use by Traidcraft speakers who are invited to speak to school children. The project is generously supported by the Ceniarth Foundation and will be launched in the 2010/11 financial year.

The Catalyst Fund consists of projects that allow Traidcraft Exchange to undertake small-scale activities (less than £10,000) that, despite their small size, could potentially have wide-scale positive impacts for poor producers and that might lead to the development of larger-scale projects. Designated funds are also available for the Catalyst projects. Remaining authorised expenditure on on-going Catalyst Fund projects at the end of 2010/2011 was approximately £10,000.

Producer Support Fund to enable potential or existing Traidcraft suppliers of fair trade products to develop the skills and technical capacity to commence or to improve their trading relationship with Traidcraft and by doing so to create opportunities for wider market access. Donors: part funded by Traidcraft plc and part funded by restricted donations.

EU India FTA's: This project aims to support small-scale producers threatened by European Commission negotiations with India for a Free Trade Agreement (FTA). The project will help micro and small enterprises (MSMEs) to understand how FTAs could affect them, and increase their capacity to influence FTA negotiations. Donors: Commonwealth Foundation and Network for Social Change.

The Craft Producers Network project, now ended, was an 18-month project funded by EC Asia-Invest that promoted the sustainable development of hand-crafted merchandise from India and Bangladesh by developing a network of crafts producers and the business service organisations that represent them, and building their capacity to trade in European markets.

Transfers between funds refers to EC repayment (provision) Details of this are covered in Note 18.

Policy and Campaigning Programme

Principles into Practice: In April 2009, Traidcraft was awarded a grant totalling £196,464 over a three year period from DFID Development Awareness Fund, of which a total of £115,127 has been received by Traidcraft: £42,262 in year one and £72,865 in year two. The project aims to increase awareness among consumers who are already buying fair trade products of the links between trade and development, and encourage them to get involved in promoting poverty reduction through trade. The project activities take place in the UK, and timeline of the project is June 2009 through May 2012 (three years total).

22 RESTRICTED FUNDS (CONTINUED)

The Alternatrade project aims to raise awareness amongst EU citizens of the links between trade and development, and enable them to challenge their governments to consider the development needs of poorer countries in trade negotiations. The project will be led by Traidcraft and undertaken in partnership with four European NGOs - Oxfam Germany, WEED (Germany), Aitec (France) and Comhlamh (Ireland). The project is developed around two main campaigns, which will be based on research into the impacts of European trade policy on developing country trading partners. The first campaign will focus promoting the need for 'policy space' for developing countries in trade, and the second campaign will focus on engaging EU citizens and policy-makers in proposals from developing countries for alternative ways of structuring international trade. The project's duration is three years, from January 2010 to January 2013. Donor: European Commission.

The European Supermarkets: Mobilising Support for Pro-Development Supply Chains project aims to inform EU citizens of the benefits and difficulties experienced by developing world workers and farmers participating in EU supermarket supply chains, and motivate them to take action to influence supermarkets and EU decision makers. The project will be led by Traidcraft and undertaken with Consumers International, SOMO (Netherlands), Oxfam Germany and CIR (Germany), and the Association of Conscious Consumers (Hungary). Donor: European Commission.

The Strengthening Fair Trade Policy project is a three year project funded by Oxfam to strengthen Traidcraft Exchange's capacity to work on fair and ethical trade policy.

Christian Aid has provided funding to support work on trade policy and commodities.

CAFOD is funding a three-year project to support a comprehensive portfolio of projects, which together will form a coherent and effective programme with the aim of encouraging and enabling trade policy to have a positive and growing impact on poverty.

Traidcraft organized a two-day conference in September 2010 for the Commonwealth Secretariat, to explore the issues faced by developing country suppliers to UK supermarkets, and their workers. South African, Kenyan and other Commonwealth exporters came, as did supermarket representatives. There was very useful discussion of the way that risks are often passed from buyers to the exporting companies and producers in developing countries, and of the experience to date with grievance procedures.

THE TRADCRAFT FOUNDATION - NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2011



22 RESTRICTED FUNDS (CONTINUED)

International Programmes

	Income						Total Income	Restricted Fund B/F	Total Available	Expense			Restricted Fund C/F
	Statutory	Trusts	Charity	Company	Donations	Other				Direct Charitable	Overhead Allocation	Total Expend	
EqualiTea	-	750	-	-	-	-	750	-	750	-	-	-	750
Fair Trade Cotton	-	-	32,896	-	-	-	32,896	-	32,896	32,896	-	32,896	-
From Field to Market	113,487	5,000	-	-	-	-	118,487	-	118,487	107,863	5,624	113,487	5,000
Sustainable Textiles	180,012	40	18,473	-	-	-	198,525	-	198,525	156,545	23,507	180,052	18,473
Golden Fibre	112,864	1,052	-	-	-	-	113,916	-	113,916	109,696	4,220	113,916	-
Jute	73,803	51,727	-	-	-	3,523	129,053	-	129,053	79,303	2,699	82,002	47,051
SLIPP Bangladesh	80,142	20,100	-	-	-	-	100,242	19,118	119,360	99,130	7,728	106,858	12,502
Haluaghat Tribeswomen	-	6,889	-	-	1,000	-	7,889	-	7,889	-	-	-	7,899
Kenyan Craft Producers	-	-	-	-	-	-	-	56,329	56,329	38,014	4,068	42,082	14,247
Business Counselling	-	-	-	-	-	-	-	-	-	(6,999)	6,999	-	-
Big Lottery ICB/1/010233984	-	3,000	198,893	-	-	-	201,893	-	201,893	195,505	6,388	201,893	-
Building Market Services Prog. - IFAD	(8,444)	-	-	-	-	-	(8,444)	-	(8,444)	(8,444)	-	(8,444)	-
Building Market Services Prog – IFAD	273,927	-	-	-	-	-	273,927	-	273,927	243,581	30,346	273,927	-
Big Lottery ICB/1/010283612	-	-	30,409	-	-	-	30,409	-	30,409	30,409	-	30,409	-
PROFIT	10,743	-	-	-	-	-	10,743	11,475	22,218	(367)	22,585	22,218	-
PROFIT Secretariat	36,160	-	-	-	-	-	36,160	(16,000)	20,160	20,160	-	20,160	-
Shop For Change - Scaling Success	12,024	-	-	-	-	-	12,024	-	12,024	12,024	-	12,024	-
Shop For Change - Producer Support	-	8,000	-	-	-	-	8,000	16,000	24,000	8,664	524	9,188	14,812
Fair Trade Plus	5,350	-	-	-	-	-	5,350	-	5,350	2,779	2,571	5,350	-
Fair Trade Craft Labelling	-	-	1,430	-	-	-	1,430	-	1,430	691	739	1,430	-
NTPP Orissa	13,023	-	-	-	-	-	13,023	1,155	14,178	14,178	-	14,178	-
BEE	76,085	16,400	-	-	20	-	92,505	41,879	134,384	99,093	2,354	101,447	32,937
Big Lottery ICB/1/010309405	-	8,063	178,560	-	120	-	186,743	-	186,743	185,719	1,024	186,743	-
Smallholder Dairy	20,577	-	-	-	-	-	20,577	-	20,577	18,516	2,061	20,577	-
Strengthening Agricultural Innovations	-	3,624	-	-	-	-	3,624	-	3,624	1,823	-	1,823	1,801
School Resources	-	2,000	-	-	-	-	2,000	13,862	15,862	15,862	-	15,862	-
Catalyst Fund	-	15,000	-	-	6,400	-	21,400	17,953	39,353	13,101	-	13,101	26,252
Producer Support	-	1,000	-	47,696	-	3,845	52,541	17,651	70,192	28,025	-	28,025	42,167
EU India FTA's	-	24,311	-	-	-	-	24,311	-	24,311	10,911	-	10,911	13,400
Craft Producers Network	11,914	-	-	-	-	-	11,914	-	11,914	-	11,914	11,914	-
EC repayment (provision)	2,000	-	-	-	-	-	2,000	(2,000)	-	-	-	-	-
Total 2011	1,013,667	166,956	460,661	47,696	7,540	7,368	1,703,888	177,422	1,881,310	1,508,678	135,351	1,644,029	237,281

22 RESTRICTED FUNDS (CONTINUED)

Ricoy United Campaigning

	Income						Total Income	Restricted Fund/BF	Total Available	Expense			
	Statutory	Trusts	Charity	Company	Donations	Other				Direct Charitable	Contract Allocation	Total Expended	Restricted Fund/CF
Principles in Practice	6,870	1,000	-	-	-	-	6,870	-	6,870	6,243	627	6,870	1,000
Alert Trade	58,749	-	-	-	-	-	58,749	-	58,749	58,749	-	58,749	-
U.S. Panmarket	-	-	-	-	1,000	-	1,000	-	1,000	-	-	-	1,000
Strengthening Fair Trade	-	-	3,000	-	-	-	3,000	-	3,000	3,000	-	3,000	-
Christian Aid Policy Support	-	-	-	-	-	-	-	1,888	1,888	1,888	-	1,888	-
CAOD Trade Policy	-	-	12,000	-	-	-	12,000	18,764	30,764	15,273	2,204	17,477	13,287
Commonwealth Secretariat	-	-	-	-	-	970	970	-	970	697	273	970	-
	127,419	1,000	4,200	-	1,000	970	181,119	20,652	201,771	175,220	11,234	186,454	15,317

Total Charitable Activities

	Income						Total Income	Restricted Fund/BF	Total Available	Expense			
	Statutory Fund	Trusts	Charity	Company	Donations	Other				Direct Charitable	Contract Allocation	Total Expended	Restricted Fund/CF
Transfer to ven funds	-	-	-	-	-	-	-	200	200	-	-	-	-
Total 2011	144,136	16,786	52,661	4,066	850	17,088	185,587	20,024	205,611	168,928	16,655	185,583	25,028
Total 2010	146,492	18,246	47,167	1,163	-	113	206,081	25,238	231,319	198,640	18,895	217,535	20,024

a. Where appropriate, changes in restricted funds from one period to another at the beginning of the year.