



TRAIDCRAFT
Fighting poverty through trade

TRAIDCRAFT EXCHANGE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 MARCH 2009

Registered charity number
1048752

Company number 3031674

CONTENTS	PAGES
Report of the Trustees, including:	1 - 19
Reference and Administrative Details	1 - 2
Objectives and Activities	3 – 5
Achievements and Performance	6 – 9
Financial Review	10
Plans for Future Periods	11
Structure, Governance and Management	12 – 18
Trustees' Responsibilities for the Financial Statements	19
Auditors' Report	20 – 21
Principal Accounting Policies	22 – 24
Statement of Financial Activities and Income and Expenditure Account	25
Balance Sheet	26
Notes to the Financial Statements	27 - 45

The Trustees believe that it is right to account for the fulfilment of Traidcraft's mission within the context of its overall impact on stakeholders. In addition to these financial statements the Charity publishes (jointly with Traidcraft plc) annual social accounts, which are independently audited, for approval at the Annual General Meeting. The social accounts are published on Traidcraft's website www.traidcraft.org.uk/socialaccounts.

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS

TRUSTEES OF THE CHARITY

(Who are directors of the company, Traidcraft Exchange)

David Bowman *

Justin Byworth*

Paul Chandler *

Jayne Mayled *

Geoff Moore *

Chris Stephens* (Chairman)

Alice Ward *

Philip Warren *

Margaret Sentamu * (appointed March 2009)

EXECUTIVE OFFICERS

Traidcraft's executive team comprises:

Director of International Development:	Geoff Bockett
Director of Human Resources:	Christine Borley
Marketing Director (Traidcraft plc):	Larry Bush*
Chief Executive:	Paul Chandler *
Director of Policy:	Mike Gidney (resigned June 2009)
Finance Director/Company Secretary:	Simon Grant*
Sourcing Director (Traidcraft plc):	Joe Osman *
Business Director (Traidcraft plc):	Mags Vaughan *

OTHER NON-VOTING ATTENDEES OF THE BOARD

Staff Nominee: Debs Smith*

* *also a director of Traidcraft plc*

None of the Executive Officers or the Staff Nominee has voting rights at the Board except for Paul Chandler, the Chief Executive, who is a trustee. This is an exception agreed with the Charity Commission.

No trustee has an interest in any material contract, other than the Chief Executive who has an employment contract, to which the Charity was a party.

TRAIDCRAFT EXCHANGE

REPORT OF THE TRUSTEES



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: JustAssurance Network Limited, Bath

TRAIDCRAFT EXCHANGE REGISTERED OFFICE

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Gateshead
NE11 0NE

Telephone: 0191 491 0591
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Traidcraft Exchange is a company registered in England, number 3031674, and limited by guarantee. It is also a registered charity, number 1048752.

OBJECTIVES AND ACTIVITIES

AIMS AND OBJECTIVES OF TRAIDCRAFT EXCHANGE

Traidcraft Exchange was established in 1986, as part of the Traidcraft group of organisations and is governed by the key principles and vision below.

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, practising and promoting approaches to trade that help poor people in developing countries transform their lives.

Traidcraft Exchange's principal objectives as defined in its governance documents are:

- The relief of poverty through providing training (including training in business skills), and information (including information on marketing) for producers, suppliers and trading partners in developing countries.
- Promoting reform in trade policies, corporate governance and social accounting and reporting and raising investor and public awareness of issues arising from national and international trading practices.

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

Our aims fully reflect the purposes that the charity was set up to further. We take governance very seriously and 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.

ACTIVITIES

Our main activities and who we try to help are described below. All our charitable activities focus on fighting poverty through trade and are undertaken to further our charitable purposes and for the public benefit.

Traidcraft Exchange aims to enable poor producers, especially those in Africa and Asia, to work their way out of poverty sustainably and with dignity, by helping them engage effectively in trade.

Traidcraft carries out three interlocking and mutually reinforcing activities:

- **Trade** – we identify barriers that prevent the poor benefiting from trade, and work to overcome these. This might involve helping producers and buyers to find and work with one another, or enabling producers to understand the demands of different markets and what they need to do to access them.
- **Support** - we help small producers to organise themselves in ways that will give them more opportunities to influence the supply chains in which they are engaged. We identify the services that small businesses need to enable them to trade effectively, and build the capacity of local service providers to provide these services on an affordable basis.
- **Influence** – we undertake lobbying and advocacy activities to campaign for trade policies and business practices that will help the poor, and encourage producers to speak up for their rights.

Traidcraft Exchange currently focuses on developing projects within strategic programmes aimed at supporting **tea, cotton and craft producers and workers**, and also runs a number of projects supporting honey and non timber forest products. Many of our projects utilise our expertise in developing pro-poor **business development services** and in establishing **fair trade** supply chains. We estimate that our current projects are touching the lives of some 25 million people in the developing world.

Traidcraft Exchange has three operating arms:

- **The International Development team** is responsible for working with our local partners to design and implement international projects. We have overseas offices in Kenya, India, Bangladesh and Cambodia.
- **The Traidcraft Market Access Centre** provides training, information and consultancy expertise in trade and development to Traidcraft Exchange projects and to other organisations.
- **The Traidcraft Policy Unit** leads our advocacy and campaigning activity aimed at government and business sector policy makers in both the UK and Europe, and helping producers in the South to develop their own advocacy voice.

TRAIDCRAFT EXCHANGE

REPORT OF THE TRUSTEES



Working alongside its sister organisation, the fair trade company Traidcraft plc, provides Traidcraft Exchange with direct practical experience of trade. It also provides opportunities to influence Traidcraft plc's own trading practices to maximize their developmental benefits, and allows the sharing of staff resources, skills and expertise. Traidcraft plc was established in 1979 and trades with some 100 producer groups in 30 countries. It is one of the UK's largest fair trade organisations, and sales of Traidcraft branded goods in 2008/9 amounted to some £22 million, with post-tax profits of £52,000. Traidcraft Exchange is not funded from the profits of Traidcraft plc, as the shareholders of Traidcraft plc intend that their capital and the profits generated from it should be used primarily to finance the continuing growth of Traidcraft plc to the benefit of its producer suppliers. However, many shareholders have mandated the payment of any dividends they receive to Traidcraft Exchange (2008/9: £48,000). Traidcraft plc pays for any services it commissions from the Market Access Centre, which in 2008/9 amounted to £4,375.

ACHIEVEMENTS AND PERFORMANCE

Please also see our **Annual Review** and **Annual Development Review** for a full assessment of the past year, including case studies and other illustrations of our impact. Copies of both these documents will be available on our website from the end of August 2009 (please visit http://www.traidcraft.org.uk/publications_and_resources/traidcraft_publications/annual_reports.htm).

Traidcraft's **Social Accounts**, (which are available at www.traidcraft.org.uk/socialaccounts), provide a thorough, rounded and externally audited assessment of the impact of the work of Traidcraft Exchange and its sister organisation Traidcraft plc.

HIGHLIGHTS OF THE PAST YEAR

A fuller overview of the progress made in the past year can be found in the documents referred to above. However a few illustrative highlights may serve to convey a sense of how our activity has been having a positive impact on our target beneficiaries.

- Real momentum has been gained within our tea programme. A very positive evaluation of our work with small tea growers in South India stated that “*the project has contributed in a very substantial way to improving the overall conditions of the small tea grower sector*”. It highlighted the benefits of helping over 16,000 small tea growers organise themselves into over 300 groups. As well as improving their incomes (as a result of achieving a 150% increase in prices secured for their tea) and community cohesion, the Confederation of Independent Small Teagrowers Associations founded as part of the project has now been given a place on the Tea Board of India, providing small tea growers with a voice within the industry for the first time. Traidcraft staff have been invited to participate in international conferences for tea producing countries, and we have created effective networks in Kenya.
- Two projects in India aimed at building up networks of business service providers to work alongside poor producers were completed with many targets exceeded. External assessments of their achievements pointed to a high level of success in enhancing the skills of participating organisations, increasing the quality and effectiveness of the local development support available to small enterprises.
- The Traidcraft Policy Unit's campaigning on supermarket practices has given us opportunities to influence the findings of the Competition Commission, and in particular proposals to establish an Ombudsman to whom small suppliers could turn if they feel supermarkets have broken the Groceries Code of Practice.
- Work in promoting responsible purchasing practices has led to excellent dialogue with companies in the tea and garments industries in particular, and led to the publication of a Best Practice Guide in conjunction with the Chartered Institute of Purchasing and Supply. This in turn has created opportunities to work with buyers within large companies to help them identify win-win approaches to dealing with suppliers in the developing world.
- Major donors have responded very positively to our development approach and the success of our project implementation. We raised a record £4.3 million in new grants – money that will be received in future years as our new projects are implemented. Whilst this will pose a challenge in requiring us to raise even more unrestricted funding to cover those project costs not met by the grant donors, it means that our programme of activity is set to continue expanding over the next few years.

REVIEW OF ACTIVITIES

In 2008/9 we set ourselves five key organisational objectives, and report here on the principal developments in respect of each of them.

1. Continued growth of project activity, in line with the 2006-11 plan, with a particular focus on developing new project proposals in each of the six strategic programmes.

Total resources expended rose from £3.2 to £3.5 million during the year, and with successful progress in raising new grants during the year, we are on track to achieve our target of doubling the scale of our activity in the period 2006-11.

The strategic themes selected in 2006/7 have continued to gather momentum, and we have found the increased focus they bring has helped us develop further insights and increased credibility in the tea, cotton and crafts sectors, as well as in our traditional business services and fair trade areas of expertise. Formal project evaluations by external assessors on a number of completed projects have been very encouraging in pointing to positive impacts and achievement of the project goals – with goals being exceeded in a number of cases. More details of these can be found in the social accounts on our website. A full list of projects is contained in note 19 of these financial statements.

New managers have been appointed to our South East Asia and East Africa offices, and we have established an office in Hyderabad, India. The India programme continues to be our largest, but during the year the East African project portfolio has expanded greatly and has now achieved the scale we were hoping for it. The Bangladesh programme is showing encouraging signs of growth, whilst the South East programme is still in its start-up phase.

2. Achieving continued growth in unrestricted income, to support the expansion of the project programme.

Unrestricted income (including the transfer between funds) in the year fell from £1.94 million to £1.65 million, a decline of some 15%. Some of this reflects the fact that in 2008 we received a large legacy, which was not repeated in 2009, and in 2008 we had also received a one-off back-dated Gift Aid payment of almost £100,000. If we discount for these factors, there was an underlying decline of about 5% in donations from the general public, although the number of donors actually increased by 1% to just over 22,000. The Return on Investment on public fundraising activities was 4.0:1, better than our budget of 3.7:1, but lower than the previous year's exceptional 4.9:1.

As our grant-funded programme expands, we will need to raise more unrestricted income to cover the costs not considered eligible by major funders, as well as to finance other activities which we believe will contribute to our mission. Overheads remained at 16% of total expenditure, slightly better than budgeted.

3. Diversifying the sources of grant funding.

Restricted income secured during the year rose to £4.36 million, against a target of £1.5 million and the previous year's total of just £0.8 million. This led to a return on investment for this category of funding of 25:1, against a budget of 7.2:1. About two thirds of concept notes submitted were accepted for full proposals, and about two thirds of full proposals submitted were awarded – we believe these to be exceptionally high figures, and reflects recognition by professional donors of the quality of our projects and the high credibility of our general approach to development.

Grants raised in 2008/9	Donor	Amount granted
Fairtrade and organic cotton (Karnataka, India)	Department for International Development	£355,000
Post tsunami enterprise development (Nicobar and Andaman islands)	Big Lottery	£488,000
Promoting Business Development Services in rural East Africa	International Fund for Agricultural Development	£601,000
Sustainable textiles (Rajasthan, India)	European Commission	£1,323,000
Fair Trade crafts labelling (UK)	Sainsburys Fair Development Fund	£27,000
Fairtrade Cotton, (Kenya)	Comic Relief	£107,000
Beekeeper empowerment (honey, Tanzania)	European Commission	£268,000
BELIEVE (honey, Kenya)	Big Lottery	£468,000
Golden Fibre (jute, Bangladesh)	Department for International Development	£476,000
	TOTAL	£4,113,000

We are pleased at the diversity of the funding bodies in the above table.

In addition we raised a further £242,000 in restricted funds from charities, trusts and major individual donors. This provided important matched funding for existing and new projects, and compares very favourably with the amounts raised in previous years (2007/8: £73,000).

The total cost of generating funds excluding allocated overheads represented 9% (2008: 20%) of the total value of new money secured (restricted and unrestricted) during the financial year.

4. Securing significant new grants to sustain the private sector and trade rules work of the Policy Unit.

The Traidcraft Policy Unit continued to implement our policy and advocacy/campaigning work effectively. Particular features of the year were the publication of reports and guidelines on responsible purchasing practices, campaigning and advocacy work surrounding the Competition Commission's enquiry into supermarket practices, and reports highlighting emerging development issues relating to trade negotiations between the EU and India. We also engaged actively with other players in the fair trade movement, helping to develop thinking on future directions in fair trade.

During the year we were not successful in obtaining major new grants for our policy work, although a grant for £200,000 was received from DFID in April 2009. However, we were encouraged to receive £30,000 from Christian Aid, who join CAFOD and Oxfam as other major NGOs with policy functions who choose to support our specialist work on trade and development.

5. Increasing work by the Market Access Centre for other NGOs and private sector clients, as well as on Traidcraft Exchange programmes.

The Market Access Centre (MAC) "broke even" for the first time, with the value of work carried out for Traidcraft projects and for external clients covering the costs of the unit. Excellent evaluations of our work in Business Development Services, which are largely led by the MAC have underlined the value of our training methodologies as we focus on training trainers in-country and building up the confidence of local practitioners. During the year we provided substantial inputs to a project run by Shared Interest and funded by the Big Lottery, to train fair trade producers in Rwanda. We were especially pleased to undertake work to develop and deliver training materials on responsible purchasing practices for a major UK retailer, and anticipate growth in the amount of work undertaken with the private sector in the next year, providing both income and, more importantly, opportunities to influence major players in the arena of trade.

Report on staff matters:

We measure most of our staff statistics across Traidcraft as a whole, including both Traidcraft plc and Traidcraft Exchange staff. Staff turnover has been low at 5.2%, and we have been pleased to see sickness levels (already below local and national norms) reducing further. There were no staff redundancies during the year, but a pay freeze was announced for UK staff for the 2009/10 financial year and there was a reduction in the resources we could afford for staff training. The annual staff survey showed staff's ratings of Traidcraft as an employer improved consistently on the previous year across a wide range of measures, with the overall rating of Traidcraft as an employer rising from 6.9 to 8.5 out of 10.

OVERVIEW OF FINANCIAL PERFORMANCE IN 2008/9

Traidcraft Exchange saw its total charitable expenditure rise by some 10% to £3.5 million as our project programme has continued to expand. New grants from major funders totalled some £4.3 million, a record level and more than twice our target, which is testimony to the growing respect in which our work is held and bodes well for the future.

However, the economic downturn led to reduced income from individual supporters. This is particularly challenging as the growth of our project programme means we need to raise more money to supplement the major grants received, which rarely cover the full costs of implementing projects. The reduced income from supporters was the principal cause of the reduction in unrestricted reserves in the year of £351,000. This reversed the increase of some £300,000 in unrestricted reserves achieved in 2008. Although reserves remain adequate, we clearly cannot continue with deficits at this level, and need to find additional income to support the growth of our work.

Further, the decline in stock market values has affected the funding of Traidcraft's closed pension scheme, and is likely to require a higher level of contributions to be paid into that scheme in future years, but we are confident that we will be able to meet our obligations in that respect.

The detailed results for the year are set out in the financial statements on pages 25 to 45.

RESERVES POLICY

The reserves policy was updated in July 2008. Changes were made to the reserves policy to reflect the increased risk of a decline in unrestricted donations in view of the predicted economic downturn. The Trustees felt it was prudent to increase the maximum cover of working capital to 4 months from the previous 3 months and to clarify the basis of cover for the pension fund deficit.

The trustees 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 set for 2008/9 was between £630,000 and £930,000, and for 2009/10 it is £672,000 - £1,047,000. At 31 March 2009 unrestricted reserves stood at £757,000.

PLANS FOR FUTURE PERIODS

We aim to continue to scale up our impact on poverty in the developing world, through our own projects, our work with partners and clients, and through helping to change the frameworks within which trade rules and business practices are carried out.

To further our mission and increase our positive impact of helping people trade their way out of poverty we have agreed five principal operational objectives for 2009/10:

- **Programme implementation:** To deliver our expanded project programme on schedule meeting our agreed objectives and with the desired impacts on our target beneficiaries. Total expenditure is budgeted to increase to £4.4 million. The momentum of the strategic themes to be sustained as key driver of Traidcraft Exchange development.
- **Financial Sustainability:** To deliver near breakeven bottom line (a budget deficit of no more than £25,000). To gain greater clarity on sustainable long term cost structures for Traidcraft Exchange, and consistently achieve appropriate cost recovery on projects.
- **Unrestricted Income:** To raise at least £1.65 million in unrestricted income.
- **New grants:** To raise at least £2.0 million in new restricted grants, especially for the tea theme, policy work and the Bangladesh and South East Asia country programmes. We will seek to find new donor organisations and keep the need for match funding to a minimum.
- **Market Access Centre client development:** To expand our MAC work in the private sector with a target income of £160,000 in the year.

STRUCTURE, GOVERNANCE AND MANAGEMENT

CORPORATE GOVERNANCE REPORT

GOVERNING DOCUMENT

The Charity is constituted as a company limited by guarantee. The controlling member is the Traidcraft Foundation and the governing documents are the Memorandum and Articles of Association. These financial statements comply with those documents.

The Directors, who are the trustees of the Charity, are appointed by the members of the Charity, with the Founder Member, Traidcraft Foundation, having a majority of votes. During the year, the Nominations Committee comprised three members: Reg Bailey (Chairman of the Traidcraft Foundation), Chris Stephens (non executive Chairman of the Board) and Philip Warren (Trustee of Traidcraft Exchange). The Committee makes recommendations to the Board and Traidcraft Foundation trustees in regard to potential new non-executive trustees. Further details are given below.

The summarised objectives of the Charity are explained in the ‘Objectives and Activities’ section of these accounts on page 3 - 5.

COMPLIANCE

The Board of Traidcraft Exchange is committed to applying the highest standards of corporate governance. This report and the Report on Remuneration (pages 16 - 18) describe in summary how Traidcraft complies with the provisions of the Combined Code (a reporting code for London Stock Exchange listed companies), this compliance being voluntary rather than required in the case of Traidcraft.

Traidcraft has applied the principles of good governance contained in the Combined Code where appropriate. The Charity does not comply with the Combined Code in one aspect as follows:

- Performance related pay does not form a major part of the Executive Directors’ remuneration and given the nature of the organisation, the Board does not believe that this approach, recommended by the Combined Code, would be appropriate for us as a charitable organisation.

In keeping with one of the main principles of the Combined Code, the Board has undertaken an appraisal of its performance, and this was carried out by a structured survey submitted to the Chairman of the Board by all Board members. The performance of the Chairman is separately evaluated by a process led by the senior independent director (see below). These reviews have again showed that the Board believes it is operating well in most areas, and identified some areas where Board effectiveness might be improved.

Traidcraft supports the concept of an effective Board leading and controlling the Charity. The Board is responsible for approving Charity policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. Management supplies the Board with appropriate and timely

information and the trustees are free to seek any further information they consider necessary. All trustees have access to advice from the Company Secretary and independent professionals at the Charity's expense. Training is available for new trustees and other trustees as necessary. A detailed induction pack and process is provided for each new trustee and as part of their induction it is expected that all trustees visit some of the overseas work of Traidcraft Exchange within the first two years of their appointment.

All trustees are subject to re-election every three years and, on appointment, at the first AGM after appointment. A Nominations Committee of the Board has been established in conjunction with Traidcraft Foundation and Traidcraft plc, to identify and propose candidates for the Board of Traidcraft and details of the membership and terms of reference of this Committee are included on our website (www.traidcraft.co.uk).

ACCOUNTABILITY AND AUDIT

The Board presents a balanced and understandable assessment of the Charity's position and prospects in its reports, as well as in the information required to be presented by statutory requirements.

The joint Traidcraft Exchange and Traidcraft plc Audit Committee meets at least four times per year and comprises David Bowman (Chairman), Geoff Moore and Justin Byworth all of whom are trustees of Traidcraft Exchange and non-executive directors of Traidcraft plc. The terms of reference of the Committee include keeping under review the scope and results of the external statutory audit of each company and its cost effectiveness. The Committee also reviews the results of the audit of Traidcraft's social accounts, which are undertaken by a different firm to the statutory auditors.

The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Charity, seeking to balance objectivity and value for money. Baker Tilly Tax and Accounting Limited carried out several grant audits during the year which were required by institutional donors. The Committee do not believe this affects their objectivity.

During the year the audit of the Social Accounts was re-tendered. The Audit Committee and the Board reviewed responses to the tender and based on their ability to provide professional assurance services at a reasonable cost Just Assurance Network Ltd were reappointed on a 3 year fixed price contract with a break clause after the first 12 months.

2008/9 is the final year of a three-year fixed fee contract with Baker Tilly UK Audit LLP to audit the statutory financial statements of Traidcraft. Audit services will be re-tendered during 2009. In the meantime the board proposes that Baker Tilly UK Audit LLP be re-appointed at the next AGM until the completion of the tendering exercise. Members will be asked in 2010 to ratify the appointment of auditors made by the Board between AGM's.

INTERNAL CONTROL

The Board is responsible for Traidcraft Exchange's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, but can never be expected to eliminate, the risk of failure to achieve business objectives. There are inherent limitations in any control system and accordingly even the most effective systems can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Charity has established the procedures necessary to implement the guidance, "Internal Control: Guidance for Directors on the Combined Code", often known as the "Turnbull Report". The Board has recently reviewed and updated the Risk Register, covering all aspects of the Charity's business and operations, including management information systems. The Risk Register and profiling continue to be the subject of regular reviews with periodic reporting to the Board on risks and actions taken.

Responsibility for managing the risks has been allocated within the executive team and, where appropriate, actions needed have been built into departmental action plans. A total of 53 risks (from the combined Traidcraft plc and Traidcraft Exchange risk register) have been identified, which are categorised as high, medium and low-risk status. Areas of most concern are as follows:

- Economic downturn/recession
The downturn has affected public donations. A realistic reserves policy has been set and reserve levels are monitored on a regular basis. Realistic fundraising targets have been set along with a review of fundraising strategies which we hope will ensure our targets are met. We are trying to reduce our dependency on public donations by improving cost recovery on major projects and increasing earned income from our consultancy work.
- Insufficient Unrestricted funding raised
Traidcraft Exchange's financial viability is heavily dependent on raising sufficient donations from the general public and small trusts to cover many of its costs and activities. Even when project grants are received, most institutional donors do not provide 100% of the funding required for implementation. Public donations are therefore required to fill this funding shortfall but are becoming more difficult to raise. We are approaching this problem from several angles. We are seeking to maximise recovery of staff costs and overheads via the design of project proposals. We are developing links with a wider range of funders and approaching Traidcraft plc customers as a source of donations. Free reserves are monitored closely to ensure there is sufficient funding for any short-term funding shortfalls.

In addressing the concept of Risk Management in this way the Board is complying with the requirements of SORP 2005 for charities, and, on a voluntary basis, with the requirements of the Combined Code for listed companies. In addition to this voluntary compliance, the Board is providing greater disclosure than is required by the Code, in line with its policy of open disclosure to stakeholders.

Management, on behalf of the Board, ensures the operation and effectiveness of the Charity's system of internal financial controls via the following:

- Control environment – work on creating an organisational structure with clearly defined responsibilities for internal financial control.
- Financial reporting – implementing comprehensive management reporting disciplines which involve the preparation of annual budgets by all departments. The budgets are reviewed by management and passed to the Board for approval. The Finance Committee, a sub-committee of the Board of Trustees, meets on a monthly basis to monitor financial performance against budget. Minutes of the Finance Committee meetings are tabled at Board meetings along with monthly management accounts.
- Operating controls – each department maintains financial controls and procedures appropriate to its own business environment conforming to overall standards and guidelines.

The Charity does not have an internal audit function and the Board periodically reviews the need for one. The current conclusion is that the scale and diversity of the Charity's operations do not require or justify the cost of establishing an internal audit function. The Board, through the Audit Committee, will keep this decision under annual review.

EC AUDIT

During the year European Commission (EC) appointed auditors carried out audits on four of our EC funded projects. The purpose of the audits was to ensure compliance with criteria set out in the terms and conditions of the legal and regulatory documents for the projects. A draft report was received in November which we responded to. We have recently received letters from the EC indicating that the auditors have classed some of the project expenditure claimed by Traidcraft as ineligible and subject to repayment to the EC.

We have reviewed the costs listed in the report and following provision of supporting documents and explanations we calculate ineligible costs remaining to be €31,960 (€20,512 relates to Traidcraft Exchange and €11,448 relates to a partner organisation). At the year end rate of 1.07 Euros to £1 this equates to approximately £30,000. We have provided for £30,000 in these financial statements.

The majority of the expenditure classified as ineligible relate to the calculation of costs claimed for project work carried out by Traidcraft's or partners' staff. Traidcraft and partners have used a range from 120 to 180 working days per annum to calculate costs to be claimed. Per the draft audit report the EC stipulated calculation is based on 220 working days. This was not in place at the time when these projects were submitted to and approved by the EC. We will respond to their claims as we believe all costs have been claimed within the terms and conditions of the grant.

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.

In view of the current economic environment, the trustees are aware of the general concern affecting the assessment of the going concern basis for all charities and have therefore taken particular care in reviewing the going concern basis this year. When reviewing their decision they have taken the following factors into account:

- The charity prepares an annual cashflow forecast as part of its budgeting process. The cashflow forecast is monitored on a monthly basis. Cashflow projections for the current financial year show that the charity will have adequate funds to meet its liabilities as they fall due.
- As at 31st March 2009 the charity has unrestricted reserves, excluding the pension deficit of £126,000, of £757,000. Per our reserves policy the target minimum reserves levels is £672,000. The trustees therefore feel the charity has adequate reserves at the year end to support its ongoing operations.
- The charity has budgeted to post a small deficit in the current financial year which will help maintain reserves within its reserve policy limits.
- The charity has not encountered any difficulty in paying its trade creditors within agreed payment terms.

REPORT ON REMUNERATION

Five out of eight of Traidcraft's Executive Officers are executive directors of Traidcraft plc. The salaries and terms of the entire Traidcraft executive team are set by the Traidcraft Remuneration Committee, which presents its report here.

Traidcraft's Remuneration Policy reflects its mission and values. Traidcraft operates within the spirit of the Traidcraft Foundation Principles that are based on the Christian commitment to promoting love and justice.

- REMUNERATION

The Board recognises that the remuneration of Executives is of legitimate concern to stakeholders and is committed to following current best practice. Traidcraft operates within a competitive environment that is subject to on-going change. Its performance depends heavily on the individual contributions of these executives and it believes in rewarding vision and innovation.

- POLICY ON REMUNERATION

During the past year the Remuneration Committee undertook a thorough review of Traidcraft's Executive Remuneration Framework, in consultation with members of the Executive team, and with the advice of an external expert (working on a pro bono basis). A new framework was approved by the

Board in February 2009. In developing this framework the Committee was conscious of the need to retain adequate flexibility in determining individual rewards and recognised the limitations of external benchmark data when making comparisons with roles within Traidcraft, whilst also recognising the need for salaries to be at a level that was not markedly below those in similar sized charities.

The Committee will therefore consider external data to set the context for their deliberations, but will also take account of individual performance against objectives and of internal relativities within the team and in relation to other Traidcraft staff. As a guideline, the Committee would not expect the best paid member of staff to be paid more than six times the full time equivalent salary of the lowest paid member of UK staff.

No individual determines their own remuneration and no trustee receives fees or payment for their services to Traidcraft Exchange. All trustees are however also non-executive directors of Traidcraft plc as well and do receive fees from that company for this element of their work. These fees are set by the Board and shareholders of Traidcraft plc.

The Remuneration Committee has responsibility for making recommendations to the Board on the Charity's general policy on the executive team's remuneration and determines the specific package for individual members of the executive team. It carries out these aspects of the Charity's remuneration policy on behalf of the Trustee Board.

Membership of the Committee is as follows:

Alice Ward (Chair)
Philip Warren
Chris Stephens (until February 2009)
Jayne Mayled (from February 2009)

Chris Stephens, as Chair of the Charity's Trustee Board, continues to attend most meetings unless his own remuneration is under discussion.

All members are trustees. None of them has any personal financial interest in the matters to be decided, potential conflicts of interest arising from cross-directorships, or any day-to-day involvement in running the Charity.

The Committee meets not less than twice a year. As well as considering conditions in the Charity as a whole, it takes into account the position of the Charity relative to other charities and is aware of what these charities are paying. The Committee consults the Chief Executive, has access to professional advice within the Charity and can obtain its own independent professional advice from outside the Charity.

- MAIN ELEMENTS OF REMUNERATION

There are two main elements of the remuneration package: basic annual salary and pension arrangements. Benefits (paid holidays, sickness benefit, pension etc.) are on the same basis as for other staff employed on comparable terms.

- BASIC ANNUAL SALARY

Each basic salary is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration the Committee believes that Traidcraft should offer average levels of base pay reflecting individual responsibilities compared with similar jobs in comparable organisations. In common with other UK-based Traidcraft staff, it was decided that no salary increase will be paid to the executive team in 2009. In common with other staff, exceptional performance may be rewarded through modest bonuses. In 2009 no such bonuses were recommended.

- PENSION ARRANGEMENTS

All Executive directors are entitled to participate in the same pension arrangements as the other staff. This involves a percentage of their basic annual salary being paid by the Charity to the Traidcraft Group Personal Pension Scheme.

- NON-EXECUTIVE TRUSTEES

Trustees of Traidcraft Exchange receive no payment in relation to their contributions to the Charity. Travelling and other expenses are reimbursed.

TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out in the auditors' report, is made with a view to distinguishing the respective responsibilities of the trustees and the auditors in relation to the financial statements.

The trustees are required by law to prepare financial statements, which give a true and fair view of the state of affairs of the Charity at the end of each financial year and of the result of the Charity for the year. They are responsible for keeping proper accounting records, and taking reasonable steps for safeguarding assets and for preventing and detecting fraud and other irregularities.

The trustees consider that suitable policies have been consistently applied and that reasonable and prudent judgements and estimates have been used in the preparation of the financial statements. The trustees also confirm that applicable accounting standards and the Statement of Recommended Practice (SORP 2005), *Accounting and Reporting by Charities*, have been followed. The financial statements have been prepared on the going concern basis.

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.

AUDITORS

A resolution to reappoint Baker Tilly UK Audit LLP as auditors will be proposed at the Annual General Meeting.

The report of the trustees was approved on 13th July 2009 and signed on their behalf by

Chris Stephens
Chairman
13 July 2009

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF TRAIDCRAFT EXCHANGE

We have audited the financial statements of Traidcraft Exchange for the year ended 31 March 2009 which comprise the principle accounting policies, the statement of financial activities and income and expenditure account, the balance sheet and related notes.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

The responsibilities of the trustees (who are also the directors of Traidcraft Exchange for the purposes of company law) for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether in our opinion the information given in the Trustees' Annual Report is consistent with the financial statements.

We also report to you if, in our opinion, the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Trustees including the Chairman's Report, the Chief Executive's Review, the Statutory Report, the Corporate Governance Report and the Report on Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
TRAIDCRAFT EXCHANGE (CONTINUED)**

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity as at 31 March 2009 and of the its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

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

BASIS OF PREPARATION

The 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 Companies Act 1985.

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 Exchange 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 company under the Companies Act 1985.

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

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	32%
International Programmes	43%
Policy Unit	25%

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 Activities.

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.

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.

TRAIDCRAFT EXCHANGE

STATEMENT OF FINANCIAL ACTIVITIES AND INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2009



TRAIDCRAFT
Fighting poverty through trade

	Note	Unrestricted Funds £000	Restricted Funds £000	Total 2009 £000	Total 2008 £000
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income					
Donations from individuals	1	1,471	4	1,475	1,606
Legacies		50	-	50	181
Trusts and Charities	1	24	-	24	36
Investment income		16	3	19	22
Incoming resources from charitable activity:					
Grants from institutional sources	1	-	1,499	1,499	1,318
Other income	2	120	-	120	86
Other Finance Income	15	-	-	-	9
Total Incoming Resources		1,681	1,506	3,187	3,258
RESOURCES EXPENDED					
Cost of generating funds					
Voluntary income	3	462	-	462	437
Institutional sources	3	254	-	254	231
Charitable activities					
International Programmes	4	847	1,323	2,170	1,893
Policy Unit and Campaigning	4	403	186	589	623
Governance	7	24	-	24	22
Other finance costs	15	1	-	1	-
Total Resources Expended	5	1,991	1,509	3,500	3,206
Net (outgoing)/incoming resources before other recognised gains and losses		(310)	(3)	(313)	52
Other recognised gains and losses					
Realised gains		-	-	-	3
Unrealised gains		47	-	47	107
Actuarial (losses)/gains on defined benefit pension scheme	15	(58)	-	(58)	5
Net (Expenditure)/Income For The Year		(321)	(3)	(324)	167
Fund balances brought forward		993	225	1,218	1,051
Transfers	17	(30)	30	--	-
Fund balances carried forward at 31 March 2009	17	642	252	894	1,218

There are no gains or losses during the year other than the net movement in funds of £324,000.
All income and expenditure relates to continuing operations.

The notes on pages 27 to 45 form part of these Financial Statements

TRAIDCRAFT EXCHANGE

BALANCE SHEET AT 31 MARCH 2009



	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Tangible	11		35		43
Current assets					
Debtors	12	467		303	
Investments	13	25		22	
Cash at bank and in hand		1,777		1,461	
		<u>2,269</u>		<u>1,786</u>	
Creditors: amounts falling due within one year					
Creditors	14	1,284		522	
Net current assets			<u>985</u>		<u>1,264</u>
			1,020		
Total assets less current liabilities					1,307
Defined benefit pension scheme liability	15		(126)		(89)
			<u>894</u>		<u>1,218</u>
Funds and reserves					
Restricted funds	17		252		225
Unrestricted funds - Designated	17		11		111
Unrestricted funds – General	17	757		971	
Unrestricted funds – pension reserve	17	(126)		(89)	
Unrestricted – Total General			631		882
Total funds			<u>894</u>		<u>1,218</u>

The notes on pages 27 to 45 form part of these Financial Statements.

The financial statements were approved by the Trustees and authorised for issue on 13 July 2009 and are signed on their behalf by:

Chris Stephens
Chairman
13 July 2009

TRAIDCRAFT EXCHANGE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009



1 INCOMING RESOURCES

	2009 Unrestricted Funds £000	2009 Restricted Funds £000	2009 Total Funds £000	2008 Total Funds £000
Donations from Individuals				
Committed giving	423	-	423	421
Direct mail appeals	228	-	228	286
General donations	311	4	315	287
Sponsorship from events	110	-	110	107
Gifts For Life	70	-	70	73
Other	133	-	133	107
Tax reclaimed through Gift Aid	196	-	196	325
	1,471	4	1,475	1,606

In 2009, included in general donations are dividends donated to the Charity from shareholders of Traidcraft plc resulting in income of £48,000. (2008: Nil).

	2009 £000 Restricted	2008 £000 Restricted
Grants from Institutional Sources		
<u>Government Bodies and Multilateral</u>		
Department for International Development	382	239
European Community	569	572
Isle of Man Government	-	14
IFC (International Finance Corporation, an agency of the World Bank)	39	118
FAO (UN Food and Agricultural Organisation)	20	51
ICCO	33	-
IFAD	96	-
Grants under £10,000	-	13
<u>Trusts & Charities</u>		
Big Lottery Fund	122	112
Shell Foundation	-	25
CAFOD (Catholic Fund for Overseas Development)	23	23
Christian Aid	10	25
Comic Relief	34	24
Oxfam	30	30
Anonymous	28	-
The Ceniarth Foundation	-	15
Waterloo Foundation	25	-
Benfield Motors Charitable Trust	10	-
Chalfont St Giles PCC	-	15
Grants under £10,000	60	26
<u>Companies</u>		
WJD Consulting Ltd	5	10
Traidcraft plc	13	6
	1,499	1,318



For the year ended 31 March 2009

1 INCOMING RESOURCES (CONTINUED)

	2009	2008
	£000	£000
	Unrestricted	Unrestricted
Trusts and Charities		
Grants of £10,000 or more	-	10
Grants between £1,000 and £10,000	14	17
Grants under £1,000	10	9
	<u>24</u>	<u>36</u>

2 OTHER INCOME

	2009	2008
	£000	£000
	Unrestricted	Unrestricted
International consultancy and marketing services	97	85
Miscellaneous	23	1
	<u>120</u>	<u>86</u>

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

3 COSTS OF GENERATING FUNDS

	2009	2009	2009	2008
	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds
	£000	£000	£000	£000
Direct salaries	281	-	281	266
Travel and accommodation	4	-	4	7
Other direct costs	271	-	271	254
Overhead allocation	160	-	160	141
	<u>716</u>	<u>-</u>	<u>716</u>	<u>668</u>

The total costs of generating funds excluding allocated overheads (£556,000) represented 9% (2008: 20%) of the total value of new money raised during the financial year. £5,880,000 was raised during the year (£1,525,000 was raised by the Public Fundraising team and £4,355,000 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 Statement of Financial Activities. These are restricted funds that can only be recognised upon implementation of the project activities they are financing.



For the year ended 31 March 2009

4 CHARITABLE ACTIVITIES

	2009 Unrestricted Funds £000	2009 Restricted Funds £000	2009 Total Funds £000	2008 Total Funds £000
International Programmes				
Direct salaries	193	137	330	327
Travel and accommodation	61	68	129	95
Direct programme costs	405	1,059	1,464	1,225
Overhead allocation	188	59	247	246
	847	1,323	2,170	1,893
Policy Unit and Campaigning				
Direct salaries	177	68	245	247
Travel and accommodation	8	13	21	32
Direct programme costs	78	77	155	197
Overhead allocation	140	28	168	147
	403	186	589	623
	1,250	1,509	2,759	2,516

5 RESOURCES EXPENDED

	<u>Direct salaries</u> £000	<u>Travel & accomm.</u> £000	<u>Direct programme costs</u> £000	<u>Overhead allocation</u> £000	<u>Total 2009</u> £000	<u>Total 2008</u> £000
Costs of generating funds						
Voluntary income	127	-	254	81	462	437
Institutional sources	154	4	17	79	254	231
Charitable activities						
International programmes	330	129	1,464	247	2,170	1,893
Policy Unit and Campaigning	245	21	155	168	589	623
Governance						
	-	-	24	-	24	22
Other finance costs						
	-	-	1	-	1	-
Total Resources Expended	856	154	1,915	575	3,500	3,206

For the year ended 31 March 2009

5 RESOURCES EXPENDED (CONTINUED)

Total resources expended include the following amounts:-

	2009	2008
	£000	£000
Depreciation	18	20
Operating leases	50	43
Auditor's remuneration		
- as auditors	12	11
- for other services	6	5
Social Audit	6	5

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

	2009	2008
	£000	£000
Baker Tilly UK Audit LLP:		
Audit	6	6
Baker Tilly Tax & Accounting Limited:		
Accountancy	6	-
Baker Tilly Tax and Advisory Services LLP:		
Accountancy	-	5
	<u>12</u>	<u>11</u>

6 DIRECT PROGRAMME COSTS

	2009	2008
	£000	£000
Consultants	337	214
Programme running costs	511	524
In-country management costs	272	197
Governance	24	22
Transfers to local partners	770	741
Finance costs	1	-
	<u>1,915</u>	<u>1,698</u>
Reallocated to:		
Charitable activities	271	254
Costs of generating funds	1,619	1,422
Governance	24	22
Finance costs	1	-
	<u>1,915</u>	<u>1,698</u>

7 GOVERNANCE

	2009	2008
	£000	£000
Audit fees and related costs	15	12
Internal audit costs	2	2
Board meetings and overseas travel	7	5
Legal and statutory	-	3
	<u>24</u>	<u>22</u>

Included in Audit fees is the Social Audit fee of £5,600 (2008: £5,300)

For the year ended 31 March 2009

8 ANALYSIS OF OVERHEAD ALLOCATION

	<u>Salaries</u>						<u>Total</u>	<u>Total</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>2009</u>	<u>2008</u>
	£000	£000	£000	£000	£000	£000	£000	£000
Costs of generating funds								
Voluntary income	55	-	18	3	2	3	81	75
Institutional sources	54	-	17	3	2	3	79	66
Charitable activities								
International programmes	149	28	48	9	6	7	247	246
Policy Unit and Campaigning	87	27	41	5	3	5	168	147
Governance	-	-	-	-	-	-	-	-
Other resources expended	-	-	-	-	-	-	-	-
Total Resources Expended	345	55	124	20	13	18	575	534

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 (£28,000), Finance (£74,000), HR (£39,000), Public Relations (£88,000) and general management (£50,000). 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 £1,837 (2008: £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.

For the year ended 31 March 2009

9 STAFF COSTS AND RELATED EXPENDITURE

	2009	2008
	£000	£000
Salaries	1,027	1,002
Social security costs	97	85
Pension costs (excluding contributions to defined benefit scheme – FRS17)	72	62
Subtotal: employment costs	1,196	1,149
Overseas salaries and staff costs	198	144
Recruitment and relocation	12	7
Training and other staff costs	44	24
	1,450	1,324

In note 6 above, the overseas salaries and staff costs (of £198,000) are included within ‘In-country management costs’ under ‘Direct Programme Costs’.

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 50% 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 in our UK and overseas offices during the year was:

	2009	2008
	No.	No.
International Programmes, Policy Unit and support	29	27
Fundraising	10	10
Management and administration	9	8
	48	45

10 TRANSACTIONS WITH TRUSTEES

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

There are no trustees to whom retirement benefits are accruing under the defined benefit pension scheme.

Trustees other than Paul Chandler, the Chief Executive, received no remuneration from the Charity. Total expenses paid to eight (2008: eight) of the Trustees amounted to £2,859 (2008: £3,561). These related to the costs of attendance at board and other meetings and also included visits to Country Programmes made by one trustee. These visits are part of induction and training for trustees.

For the year ended 31 March 2009

11 TANGIBLE FIXED ASSETS

	2009	2008
	£000	£000
Furniture and equipment		
Cost		
At 1 April 2008	179	177
Additions	10	18
Disposals	(1)	(16)
At 31 March 2009	<u>188</u>	<u>179</u>
Depreciation		
At 1 April 2008	136	132
Less depreciation on disposals	(1)	(16)
Charge for year	18	20
At 31 March 2009	<u>153</u>	<u>136</u>
Net Book Value at 31 March 2009	<u>35</u>	<u>43</u>
Net Book Value at 31 March 2008	<u>43</u>	<u>45</u>

12 DEBTORS

	2009	2008
	£000	£000
VAT receivable	2	12
Accrued income	275	179
Other debtors	190	112
	<u>467</u>	<u>303</u>

13 INVESTMENTS

	2009	2008
	£000	£000
At 1 April 2008	22	15
Additions in the period	3	7
Disposals in period	-	-
Market value at 31 March 2009	<u>25</u>	<u>22</u>
Cost	<u>-</u>	<u>-</u>

The investments mostly represent shares in Traidcraft plc and are not listed on any stock exchange. The shares were valued by the trustees as at 31 March 2009 at the price at which Traidcraft plc shares 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 are valued at market value. All additions were the result of donations of shares to the Charity.

For the year ended 31 March 2009

14 CREDITORS: amounts falling due within one year

	2009	2008
	£000	£000
Supporters loans	2	2
Trade creditors	12	52
Accrued expenses and deferred income	1,223	443
Traidcraft plc	42	23
Traidcraft Foundation	3	-
Other creditors	2	2
	1,284	522

Included within 'Accrued expenses and deferred income' is:

- £49,000 for the Tsunami project and £6,500 for the ISLAND project which relates to funds received from the Big Lottery Fund that had not been spent at the year end and
- £18,000 for the Kenyan Dairy Farmers project which relates to funds received from DFID that had not been spent at the year end.

15 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.

The triennial actuarial valuation prepared as at 1 April 2007 indicated that the scheme is approximately 89% funded against technical provisions with a deficit of £502,000. The agreed ongoing funding to be paid by the employer is £101,000 per annum which is intended to bring the scheme up to a fully-funded position by 31 March 2013. The total charge for the year paid by Traidcraft relating to this scheme, including administration costs, was £151,000 (2008 - £156,000). This cost is divided between Traidcraft plc and Traidcraft Exchange, according to the prevailing advice about the split of liabilities in the scheme.

The 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 2009. Assumptions used were:

	Value at 31 March 2009 (per annum)	Value at 31 March 2008 (per annum)	Value at 31 March 2007 (per annum)
Rate of increase of pensions accrued post 5 April 1997	2.9%	3.4%	3.1%
Rate of revaluation of deferred pensions	2.9%	3.4%	3.1%
Discount rate	7.2%	6.4%	5.3%
Inflation assumption	2.9%	3.4%	3.1%



For the year ended 31 March 2009

15 PENSIONS (CONTINUED)

The amounts recognised in the balance sheet are as follows:

	2009	2008
	£000	£000
Present value of funded obligations	(710)	(853)
Fair value of scheme assets	<u>584</u>	<u>764</u>
Deficit in the scheme	<u><u>(126)</u></u>	<u><u>(89)</u></u>

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

	2009	2008
	£000	£000
Opening defined benefit obligation	853	981
Interest on scheme liabilities	55	52
Actuarial loss/(gain)	(181)	(125)
Benefits paid	<u>(17)</u>	<u>(55)</u>
Closing defined benefit obligation	<u><u>710</u></u>	<u><u>853</u></u>

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

	2009	2008
	£000	£000
Opening fair value of scheme assets	764	855
Expected return on scheme assets	54	61
Contributions by employer	22	23
Actuarial loss	(239)	(120)
Benefits paid	<u>(17)</u>	<u>(55)</u>
Closing fair value of scheme assets	<u><u>584</u></u>	<u><u>764</u></u>

Amounts charged to the Statement of Financial Activities:

	2009	2008
	£000	£000
Interest on obligation	55	52
Expected return on assets	<u>(54)</u>	<u>(61)</u>
Total operating charge/(income)	<u><u>1</u></u>	<u><u>(9)</u></u>

The charity expects to contribute £22k to its defined benefit pension plan in the year to 31 March 2010.

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

	Company		Cumulative	
	2009	2008	2009	2008
	£000	£000	£000	£000
Actuarial (loss)/gains	<u><u>(58)</u></u>	<u><u>5</u></u>	<u><u>20</u></u>	<u><u>78</u></u>

For the year ended 31 March 2009

15 PENSIONS (CONTINUED)

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 March 2009(%)	Assets at 31 March 2008(%)
Equities	71.2	80.1
Bonds	28.6	19.5
Other	0.2	0.4

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

	2009	2008	2007	2006	2005
	£000	£000	£000	£000	£000
Defined benefit obligation	(710)	(853)	(981)	(985)	(835)
Fair value of scheme assets	584	764	855	759	578
(Deficit)/surplus in the scheme	(126)	(89)	(126)	(226)	(257)
Experience gains/(losses) on scheme liabilities:	7	(15)	-	3	1

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:

	2009	2008
<i>Males</i>		
Retiring today	20.8	21.9
Retiring in 20 years	22.6	23.1
<i>Females</i>		
Retiring today	24.0	24.8
Retiring in 20 years	26.0	25.9

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) with a company contribution rate of 7.5% (2008 7.5%). Traidcraft Exchange made contributions of £62,000 during the past year (2008 - £53,000) and this cost, together with administration charges of £10,000 (2008 £9,000) relating to the closed scheme comprise the pension cost of £72,000 (2008 £62,000) shown in Note 9 to these accounts.

For the year ended 31 March 2009

16 TRANSACTIONS WITH RELATED PARTIES

(a) Controlling Party

The Charity is under the control of the Traidcraft Foundation, a registered charity with the same place of business, being the founder member and having, in general meeting, the number of votes that exceeds by one the number of all other votes cast.

(b) Transactions with related parties

During the year the Charity had transactions with the following related parties

1. The Traidcraft Foundation – the controlling party of the company as detailed above.
2. Traidcraft plc – a company with a number of directors in common and in which the Traidcraft Foundation controls a protective Guardian Share.

Transactions during the year were as follows:

	2009	2008
	£000	£000
Traidcraft plc		
Purchase of goods and services (e.g. rent and building costs)	191	207
Sale of services (including consultancy services by the Market Access Centre)	(20)	(18)
Donations received	(13)	(6)
Balances due to related parties at 31 March 2009		
Traidcraft Foundation	3	-
Traidcraft plc	42	23
Balances due from related parties at 31 March 2009		
Traidcraft plc	-	-

17 ANALYSIS OF FUNDS

	Restricted	Unrestricted	Total
	2009	2009	2009
	£000	£000	£000
Fixed assets	-	35	35
Investments	-	25	25
Debtors	278	189	467
Cash at bank and in hand	1,116	661	1,777
Creditors falling due within one year	(1,142)	(142)	(1,284)
Defined benefit pension scheme liability	-	(126)	(126)
Net assets	<u>252</u>	<u>642</u>	<u>894</u>

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

For the year ended 31 March 2009

17 ANALYSIS OF FUNDS (CONTINUED)

The Designated Fund represents funds that Traidcraft Exchange has set aside to finance its Catalyst Fund. This fund will support the further development of our strategic programmes by making grants for 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 by the Charity 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 2009 (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 19.

Unrestricted Funds (£000)

	B/fwd	Income	Expenditure	Other gains/(losses)	Transfers	C/fwd
Unrestricted funds	882	1,681	(1,991)	(11)	70	631
Designated Catalyst fund	111	-	-	-	(100)	11
	<u>993</u>	<u>1,681</u>	<u>(1,991)</u>	<u>(11)</u>	<u>(30)</u>	<u>642</u>

During the year European Commission (EC) appointed auditors carried out audits on four of our EC funded projects. The auditors have classified some of the project expenditure claimed by Traidcraft as ineligible and subject to repayment. Whilst disputing these findings we feel it is prudent to provide for £30,000 of these costs. A fuller explanation can be found on page 15.

Due to the deficit in the year the Trustees undesignated £100,000 which had been designated last year to support the Catalyst Fund.

18 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2009 the charity had annual commitments under non-cancellable operating leases as set out below.

	2009	2008
	£000	£000
Operating leases which expire:		
<u>Land and Buildings</u>		
Within 1 year	43	38
Within 2 to 5 years	47	33
<u>Other</u>		
Within 1 year	7	7
Within 2 to 5 years	8	4
	<u>105</u>	<u>82</u>

19 RESTRICTED FUNDS

The table on pages 44 and 45 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.

For the year ended 31 March 2009

19 RESTRICTED FUNDS (CONTINUED)

International Programmes

Tea Producers Theme

Sustainable Livelihoods for Indian Tea Producers: This project addresses issues related to smallholder tea growers in the Indian tea industry who have been greatly affected by the current crisis in the industry. The model being used is organising small tea growers to give them identity, improve their production prices to draw better prices, develop negotiation skills to further their position in the supply chain, and establish a national organisation to get Government and Tea Board attention to small growers needs. This is being complemented by international policy work to address issues around volatile pricing, global over supply, and better purchasing practices. Donor: DFID.

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: 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

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 environment 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 & of SMEs by reducing water pollution. Donor: European Commission.

Craft Producers Theme

Mainstreaming African Crafts: this project aims to improve the livelihoods of African crafts producers, who struggle to access European markets and have seen declining sales in recent years. This innovative two-year pilot project is developing a producer-owned brand under which African crafts will be promoted in the European market. Donor: Mark Leonard Trust.

CraftNetwork Cambodia project: this aims to support the growth of the Cambodian handicrafts industry by facilitating sales to international buyers, and by providing producers with technical assistance and capacity building. During the year the project was registered as a business in which Traidcraft Exchange took a 20% shareholding with consideration provided in the form of the waiving of fees for work carried out. Unfortunately the business was not successful in securing long-term financial backing and is in the process of being wound up. Donor: International Finance Corporation.

The Fair Trade Design Network project, now finished, was funded by the EU-India Economic Cross Cultural Programme and over a 2-year period aimed to increase fair trade of non-food products from India to Europe by strengthening Indian suppliers and producer organisations.

The Kenyan Wood Carvers project aims to upgrade the Kenyan wood carving sector enabling carvers to produce more competitive products. Donor: Seba Trust.

For the year ended 31 March 2009

19 **RESTRICTED FUNDS (CONTINUED)**

BDS Theme

Market Access Programme, Vietnam: The project is targeting 30 small and medium businesses (mainly FAHA members) engaged in handicraft production in North Central Vietnam, as well as 15 local product development consultants and 10 local business consultants. The project consists of 4 technical assistance phases: initial product selection and market research (phase 1); increasing knowledge and skills for market access, to include building the capacity of 10 local business consultants to provide training and on-going support services (phase 2); improving product development capacity, to include training of local product development consultants (phase 3); and actual linking to European markets (phase 4). Donor: European Commission.

Sustainable Trade for Social Enterprises, Cambodia: The project has three target groups: local partner the Artisans Association of Cambodia (AAC), 40 social enterprises (20 AAC members and 20 others) engaged in handicraft production, and 15 local consultants (5 local product development consultants and 10 local business consultants). The project consists of 5 main phases of activities: organisational strengthening of AAC and participating social enterprises (phase 1), increasing knowledge and skills for market access (phase 2), improving product development capacity (phase 3), developing the capacity of AAC and its members to engage in policy issues (phase 4), and stimulating demand for local business development services (phase 5). Donor: European Commission.

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.

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.

'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, 2 from each BDS provider. Each of the participants will work with at least 5 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.

'Kudumbashree' Tsunami Relief in Kerala State: The aim of this 30-month project is to support Kudumbashree (an Indian intermediary business organization) and their team of 350 Micro Enterprise Consultants (MECs) to develop high quality, effective business development and counselling skills for pro-poor micro and small enterprises (MSEs) so that they are able to access European markets effectively. This project will start with a training of trainers programme for 15 participants. These 15 trainers will then train an additional 40 MECs. Each of the 55 participants will work with at least 5 MSEs. This will ensure that the project directly benefits at least 275 MSEs and 5500 producer employees. 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.

19 RESTRICTED FUNDS (CONTINUED)

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 and FAO.

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. Donor: Big Lottery Fund.

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. Two staff members commenced work in May 08 and the third mid-June 08. Donor: European Commission.

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.

EC NGO Co-financing funded the Fair Trade Assistance to Community Enterprises (FACE) project, now completed. The aim of the 4-year project was to contribute to poverty alleviation in the Philippines by bringing about the sustained application of fair trade practices and the development of market linkages in order to enhance economic viability and sustainability in the country's micro, cottage and small enterprises in the handicrafts and food sectors. The project also aimed to increase awareness of and support for fair trade principles and practices and to increase the capability and sustainability of local partner APFTI (Advocate for Philippines Fair Trade Inc.) to deliver fair trade technical services in an effective and sustained manner.

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 8 clusters/zones belonging to 4 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.

For the year ended 31 March 2009

19 RESTRICTED FUNDS (CONTINUED)

Bee Fair, Tanzania: This project worked with poor communities in the rural and isolated region of Tabora, Tanzania. These communities are marginalized by a myriad of factors, most notably their lack of access to markets and important public services (such as education, health care, and financial resources). Their situation is made worse by the fact that they have relatively few income-generating opportunities available to them and of those some, such as tobacco farming and logging, are highly destructive to their environment. Together, the result is a high incidence of poverty in the region and the use of natural resources for short-term gain, rather than sustainable development over the longer term. Our mission is to assist small-scale farmers in Tabora so they can successfully break out of the poverty trap and adopt a lucrative livelihood based upon sustainable utilization of natural resources. Donors: various.

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

Improving Livelihoods in the Smallholder Dairy Sector. Kenya: 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. Donor: DFID.

Other projects

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. During the year the Catalyst Fund costs were met via both designated funds and restricted donations. Remaining expenditure on on-going Catalyst Fund projects at the end of 2008/2009 was approximately £19,000.

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.

EC repayment (provision) Details of this are covered in the Trustees Report (page 15).

Policy and Campaigning Programme

The Buying Into Development project was funded by DFID's Development Awareness Fund. The project aimed to encourage purchasers to buy more responsibly from developing countries, and in a manner that alleviates poverty. It raised awareness of international development issues with new target audiences, mainly in the business sector, so that UK purchasers become both a partner and supporter of international development.

Triodos has provided funding for further work on purchasing practices.

For the year ended 31 March 2009

19 RESTRICTED FUNDS (CONTINUED)

The Responsible Purchasing Phase 2 project aimed to raise awareness in Europe about the impact of purchasing practices through supply chains on the lives of people in developing countries. This 18-month project was implemented in collaboration with two European partners.

The Strengthening Fairtrade 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.

CAFOD has also provided additional support for one year for the above work.

TRAIDCRAFT EXCHANGE - NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 March 2009

19 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	
Indian Tea Producers	119,852						119,852	-	119,852	117,243	2,609	119,852	-
Fair Trade Cotton			29,488				29,488	-	29,488	29,386	102	29,488	-
From Field to Market	91,818						91,818	-	91,818	91,482	336	91,818	-
Sustainable Textiles	47,449					499	47,948	-	47,948	47,754	193	47,948	-
Mainstreaming African Crafts		8,914					8,914	-	8,914	7,631	1,283	8,914	-
CraftNetwork project		500		38,721	256		39,477	-	39,477	39,477	-	39,477	-
Fair Trade Design Network							-	5,229	5,229	5,229	-	5,229	-
Kenyan Wood Carvers		5,300					5,300	-	5,300	4,000	-	4,000	1,300
MAP Vietnam	72,175	3,500		5,000		218	80,893	-	80,893	66,936	13,957	80,893	-
Sustainable Trade Social Enterprises	210,550				1,875	699	213,124	-	213,124	212,551	572	213,124	-
SLIPP Bangladesh	61,916	22,500			1,000	171	85,587	-	85,587	80,294	793	81,087	4,500
Kenyan Craft Producers							-	86,727	86,727	902	348	1,250	85,477
Business Counselling	17,142					70	17,212	7,790	25,002	20,552	4,451	25,002	-
Tsunami Relief in Kerala State	66,577					344	66,921	-	66,921	65,580	1,342	66,921	-
Big Lottery Tsunami Tamil Nadu			30,481				30,481	-	30,481	30,107	374	30,481	-
Building Market Services Prog. – FAO	4,417						4,417	-	4,417	4,380	37	4,417	-
Building Market Services Prog. - IFAD	96,457						96,457	-	96,457	70,983	25,474	96,457	-
Big Lottery ISLAND			91,674				91,674	-	91,674	91,419	255	91,674	-
PROFIT	8,480	45,000				135	53,615	-	53,615	23,837	49	23,886	29,729
PROFIT Secretariat	33,244	8,000				627	41,871	61	41,932	38,051	3,880	41,932	-
Fair Trade Plus	35,686	1,000				94	36,780	2,130	38,910	36,992	918	37,910	1,000
Fair Trade Craft Labelling			4,247				4,247	-	4,247	4,010	237	4,247	-
FACE							-	3,652	3,652	-	-	-	3,652
NTPF Orissa	11,191					89	11,280	-	11,280	10,951	329	11,280	-
Bee Fair		42,111			487		42,598	1,244	43,842	12,100	1,227	13,327	30,515
BEE		3,000				147	3,147	-	3,147	452	15	466	2,681
Big Lottery BELIEVE	560	200					760	-	760	421	139	560	200
Smallholder Dairy	129,901						129,901	-	129,901	129,451	450	129,901	-
Catalyst Fund		1,000					1,000	22,360	23,360	14,808	37	14,846	8,514
Producer Support				12,743			12,743	6,421	19,164	4,397	-	4,397	14,767
Craft Producers Network						156	156	-	156	-	-	-	156
Eksteenskuil Farmers Association							-	2,771	2,771	2,715	-	2,715	56
EC repayment (provision)	(30,000)						(30,000)	-	(30,000)	-	-	-	(30,000)
Total 2009	977,415	141,025	155,890	56,464	3,618	3,249	1,337,661	138,385	1,476,046	1,264,091	59,407	1,323,498	152,547

TRAIDCRAFT EXCHANGE - NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 March 2009

19 RESTRICTED FUNDS (CONTINUED)

Policy Unit and Campaigning

	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	
Buying Into Development	35,416						35,416	-	35,416	24,980	10,436	35,416	-
Small Policy projects		2,000					2,000	-	2,000	-	-	-	2,000
Responsible Purchasing Phase II	66,766					88	66,854	-	66,854	63,394	3,460	66,854	-
Strengthening Fairtrade			30,000				30,000	23,418	53,418	28,124	1,025	29,149	24,269
Christian Aid Policy Support			10,000				10,000	25,000	35,000	11,219	8,781	20,000	15,000
CAFOD Trade Policy		1,000	22,800				23,800	13,797	37,597	20,376	2,115	22,491	15,106
CAFOD Trade Issues							-	11,131	11,131	6,583	2,124	8,707	2,424
EPA Conference							-	13,752	13,752	2,720	-	2,720	11,032
	102,182	3,000	62,800			88	168,070	87,098	255,168	157,396	27,941	185,337	69,831

Total Charitable Activities

	Income						Total Income	Restricted Fund B/F	Total Available	Expense			Restricted Fund C/F
	Statutory Funding	Trusts	Charity	Company	Donations	Other Income				Direct Charitable	Overhead Allocation	Total Expend	
Transfer between funds													30,000
Total 2009	1,079,597	144,025	218,690	56,464	3,618	3,337	1,505,731	225,483	1,731,214	1,421,487	87,348	1,508,836	252,378
Total 2008	888,760	88,885	215,670	124,524	3,222	2,553	1,323,614	357,639	1,681,253	1,324,718	131,048	1,455,766	225,487