

## Shareholders

As a result of flat sales, pressure on margins and increased costs resulting from investments in our brand and additional staff to support new initiatives and future growth, Traidcraft plc recorded a small loss. We therefore failed to achieve our long term return on capital target of 6.5%.

We believe nevertheless that Traidcraft plc has a sustainable and viable model of trading in an ethical and fair trade manner, and expect growth and profitability to be restored.

The loss incurred this year means that we will not be recommending a dividend payment. However, we made it clear in our share issue prospectus that dividend payments were not our main priority, and we note that most shareholders have been choosing to donate their dividends to Traidcraft Exchange, so the impact of this is on our charity rather than on shareholders themselves.

The key priority of our shareholders is that we increase our impact with producers in the developing world, which is why we continue to invest for growth rather than scale down to support short-term profitability.

Encouragingly the three year rolling average of developing world purchases is still growing.

## Return on Capital Employed

This is a conventional measure of return used by many companies to express the profit for the year as a percentage of the average capital employed in the business.

As a business seeking to be a model to others this is a relevant performance indicator for Traidcraft plc, which wants to show that a reasonable return can be made whilst trading fairly.

There are a number of ways of calculating this statistic but we have used the most simple, which is Net Profit after tax divided by the average Net Assets.

Year	2003	2004	2005	2006	2007
ROCE %	12.7%	6.8%	7.4%	10.0%	-0.9%

Long-term target = 6.5%

In 2002-2003 we undertook a major public share issue, achieving the first phase of stronger financial results in a year which was mostly still funded on the old capital base.

The result is that the ROCE figure looks very high at 12.7%, but this was not a sustainable performance and once the full extra capital of £3million was included over the last three years, the indicator falls to much nearer our target level.

Due to the loss incurred this year ROCE is also negative. Cumulative ROCE since the share issue in 2003 is 5.8%, slightly below our long-term average target.

The more common method to calculate ROCE is EBIT (Earning before interest and tax or operating profit) divided by net assets (year end).

Year	2003	2004	2005	2006	2007
ROCE % based on EBIT	9.1%	7.9%	9.6%	13.2%	-2.5%

Cumulative ROCE since the share issue in 2003 is 7.0%.

## Stakeholder feedback

In the year there has not been a survey of shareholders but we again publish the minutes of the question and answer session with shareholders at our AGM.

Notes of the question and answer session, Annual stakeholder event, 23 September 2006. London School of Economics

The question and answer session followed a presentation on the past year and future plans by Paul Chandler. Questions asked by shareholders, Fair Traders and others present at the meeting were put to the full Boards of Traidcraft plc and Traidcraft Exchange.

[The full text of the questions and responses is available as a PDF document.](#)

## Directors' Comment

After five years of good profitability and growth it is disappointing that this year's results show a small loss, and that we have not felt able to recommend a dividend payment.

Nevertheless, we believe that investors in Traidcraft want us to use their resources to deliver our mission rather than to focus on short term profitability, and hope they will support our having continued to invest in the longer-term opportunities and in strengthening the quality of our work with producers.

Once again the range and quality of the questions posed by shareholders and other stakeholders at the AGM indicate a very positive level of engagement with and commitment to our work.