

THE TRAIDCRAFT FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

Charity number 294953

THE TRAIDCRAFT FOUNDATION

TRUSTEES & OFFICERS AND GENERAL INFORMATION

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TRAIDCRAFT FOUNDATION PRINCIPAL ADDRESS

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Traidcraft Foundation is a registered charity, number 294953.

THE TRAIDCRAFT FOUNDATION

TRUSTEES & OFFICERS AND GENERAL INFORMATION

TRUSTEES

Stephen Timms MP (Chair)

Revd Dr Richard Higginson

Rosemary Kempell

Elizabeth Oldfield

David Nussbaum

Trustees are elected following recommendations made by the members of a nominations committee, which during the financial year comprised, Stephen Timms MP (Chair of the Traidcraft Foundation), Ram Gidoomal (non-executive Chair of the Boards of Traidcraft plc and Traidcraft Exchange) and Margaret Sentamu (non-executive director of Traidcraft plc and a trustee of Traidcraft Exchange).

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

ADMINISTRATION

Finance: Andy Biggs

PRINCIPAL PROFESSIONAL ADVISERS

Principal Clearing Bankers: HSBC Bank plc

Financial Auditors: RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)

GOVERNING DOCUMENT

Trust Deed (updated 2002).

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

Information regarding the Trustees, Directors and Officers of Traidcraft Exchange and of Traidcraft plc is included in the published accounts of those companies, available from Traidcraft, Kingsway, Gateshead, Tyne & Wear, NE11 0NE.

THE TRAIDCRAFT FOUNDATION

TRUSTEES' REPORT

AIMS AND OBJECTIVES OF THE TRAIDCRAFT FOUNDATION

The Traidcraft Foundation was established in 1979.

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

TRAIDCRAFT'S FOUNDATION PRINCIPLES:

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

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

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

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

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

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

THE TRAIDCRAFT FOUNDATION

TRUSTEES' REPORT (CONTINUED)

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

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

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

PRINCIPAL ACTIVITIES DURING THE YEAR

The Trustees met on three occasions during the year. They considered and dealt with the following principal matters, as means of encouraging and challenging all parts of Traidcraft to become more effective in achieving our common mission in ways that are fully aligned with the Traidcraft Foundation Principles:

- Governance matters
 - The Foundation participated actively in the work of the Traidcraft Nominations Committee and approved the appointment of; Robin Roth as CEO of Traidcraft plc and Traidcraft Exchange.
 - Stephen Timms represented the Trustees as holder of the Guardian Share in Traidcraft plc at the Traidcraft Annual Stakeholder meeting in Gateshead in September 2016.
- Traidcraft's 2015/16 Social Accounts / Annual Review of Impact and Performance
 - The Foundation trustees considered carefully the 2015/16 Social Accounts/Impact Report and issued a report.

CONSOLIDATED ACCOUNTS

The Trustees submit their annual report and audited financial statements for the year ended 31 March 2017. The financial statements have been prepared in accordance with applicable accounting standards, Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and The Charities Act 2011. The financial statements comprise the accounts of the Traidcraft Foundation and of Traidcraft Exchange, a subsidiary of the Foundation. In these accounts "Charity" means The Traidcraft Foundation or the charitable group comprising The Traidcraft Foundation and Traidcraft Exchange.

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

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

The Trustees considered carefully whether or not to consolidate the results of Traidcraft plc into those of the Foundation. Legal advice taken by the Trustees indicated that given the nature and purpose of the Guardian Share and that there is no intended or actual control of Traidcraft plc by the Foundation

THE TRAIDCRAFT FOUNDATION

TRUSTEES' REPORT (CONTINUED)

Trustees, consolidation is not necessary or appropriate. A summary of the financial statements of Traidcraft plc is however, given in note 21.

FINANCIAL RESULTS AND FUTURE PROSPECTS

The results for the year ended 31 March 2017 are set out in detail in the financial statements on pages 9 to 34. The net incoming resources for the Foundation (before consolidation) for the year was £nil (2016: £nil).

The Foundation (before consolidation) had gross incoming resources of £4,000 (2016: £4,000). The Foundation is jointly funded by Traidcraft Exchange and Traidcraft plc.

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

Traidcraft Exchange saw its total charitable expenditure increase by £201,000 (8%) from £2,461,000 to £2,662,000 due to higher project expenditure in the year. Expenditure on fundraising increased from £494,000 to £561,000 with more spent on public fundraising. Total expenditure on activities increased from £3 million to £3.2 million.

Total income increased by 14% from £3 million to £3.4 million. Public donations increased by 5% year on year and legacy income was almost 3 times higher than the previous year. Trust income stayed around the same level as 2015/16. The increases in unrestricted income in 2016/17 is partly due to less appeals being run in 2015/16 to avoid donor fatigue following the hugely success appeal carried out in late 2014/15. Drawdowns from grants for current projects increased during the year and totalled £2 million. An underlying surplus on unrestricted funds of £68,000 (2016: £46,000) was recorded.

We had planned for a small deficit but funds were boosted by unrestricted income and cost saving during the year. Unrestricted reserves (excluding fixed assets and investments) stand at £830,000, which is above the target level for reserves in our reserves policy of £584,000.

The consolidated net unrestricted reserves of Traidcraft Foundation are £832,000 which is above the target level of £584,000.

AUDITORS

Following a tender process, UNW LLP have been selected to replace the incumbent firm RSM Audit LLP. Their appointment will be proposed at the Annual General Meeting.

THE TRAIDCRAFT FOUNDATION

TRUSTEES' REPORT (CONTINUED)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether the policies adopted are in accordance with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Charity will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS

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

RESERVES POLICY

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

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

When calculating unrestricted reserves, fixed assets and investments are excluded due to their illiquid nature.

The policy and target range of reserves are monitored and reviewed annually during the budget approval process to reflect risks and changes in income, financial obligations and expenditure. The target range for general unrestricted reserves, excluding pension reserves, set for 2016/17 was £585,000 - £1,160,000, and for 2017/18 it is £584,000 - £1,149,000. At 31 March 2017, unrestricted reserves (excluding fixed assets and investments) stood at £830,000. We excluded the pension reserves as this is a long-term liability and instead set reserves to cover a minimum of one year's contribution into the scheme.

THE TRAIDCRAFT FOUNDATION

TRUSTEES' REPORT (CONTINUED)

As Traidcraft plc and Traidcraft Exchange guarantee to cover reasonable expenses of the Traidcraft Foundation its reserves are kept at approximately £3,000.

MAJOR RISKS AFFECTING THE CHARITY

The principal risks identified by the Board continue to be a decline in restricted donations for large institutional projects and our ability to increase our portfolio of donors – even more so since the implication of Brexit are still unfolding. Although we are now less reliant on one or two main donors, we still only have a handful of principle donors, including the UK government, so we remain vulnerable to cutbacks in aid budgets. Institutional fundraising targets funding for a few large projects and therefore income from this source tends to fluctuate greatly between financial years depending on how many funding bids we win in a particular 12 month period. 2016/17 has been another particularly challenging year due to the external funding environment and the majority of our main large donors still in the period of review which started in 2015/16 and impacted on our new grants raised in that year also. In 2016/17, we only won a few institutional grants and there were fewer opportunities to submit as many project proposals as a few years ago. Consequently, although the number of projects are still above critical mass in most regions, we have fewer projects in the pipeline and our number of projects are starting to fall below target. Our response to these risks continues to be to seek to diversify sources of funding. Raising more funds, and from different sources, has been a priority during the recent restructuring and the strategic review. Furthermore, we aim to keep reserves at adequate levels to cope with short-term fluctuations in income.

Other risks identified relate to project implementation either because of security concerns or the capacity of partner organisations we work with.

The countries in which we operate experience varying degrees of insecurity and civil disorder, which impacts project implementation. Overseas trips for UK staff have to be carefully monitored to ensure that it is safe to travel. Some overseas staff also have to change travels plans due to political volatility and environmental factors. Thorough risk assessments take place prior to all staff travelling to ensure it is safe for them to do so and to minimize any potential risks.

All our overseas projects are developed and implemented in partnership with local organisations. These local organisations bring an understanding of the project context and the issues to be tackled ensuring that projects are appropriate to the local context. Along with our experience of small enterprise development, Traidcraft brings project design and management expertise. By working with partners in country we help build their capacity, however some partners have weak financial control systems which means expenditure needs to be closely monitored. Internal control procedures are periodically reviewed to ensure they are working correctly and regular audits are carried out.

The Trustees are satisfied that the directors of Traidcraft Exchange have adequately considered the risks associated with running that charity and are taking appropriate steps to manage them.

GOING CONCERN

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

Approved by the Trustees on 24 July 2017 and signed by Stephen Timms MP on their behalf.

Trustee

THE TRAIDCRAFT FOUNDATION

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE TRAIDCRAFT FOUNDATION FOR YEAR ENDED 31 MARCH 2017

Opinion on financial statements

We have audited the financial statements of The Traidcraft Foundation (the 'charity') and its subsidiary (the 'group') for the year ended 31 March 2017 which comprise Group Statement of Financial Activities, the Group and parent charity Balance Sheets, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charity's affairs as at 31 March 2017 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

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

Respective responsibilities of trustees and auditor

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

We have been appointed as auditors under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

IAIN CORNER (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
1 St James' Gate
Newcastle upon Tyne
NE1 4AD

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

THE TRADCRAFT FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2017

	Note	Foundation				Consolidated			
		Unrestricted	Restricted	Total	Total	Unrestricted	Restricted	Total	Total
		Funds	Funds	Funds	Funds	Funds	Funds	Funds	Funds
		2017	2017	2017	2016	2017	2017	2017	2016
		£000	£000	£000	£000	£000	£000	£000	£000
INCOME FROM:									
Donations and Legacies									
Donations from individuals	2	-	-	-	-	1,158	23	1,181	1,122
Legacies		-	-	-	-	192	-	192	66
Trusts and charities	2	-	-	-	-	31	-	31	28
Investment Income						1	-	1	4
Charitable Activities:									
Grants from institutional sources	2	-	-	-	-	2	1,941	1,943	1,746
Other income	3	4	-	4	4	50	7	57	12
Other finance income	15	-	-	-	-	3	-	3	2
Total Income		4	-	4	4	1,437	1,971	3,408	2,980
EXPENDITURE ON:									
Raising funds									
Voluntary income	4	-	-	-	-	305	-	305	288
Institutional sources	4	-	-	-	-	256	-	256	206
Charitable activities									
Development programmes	5	2	-	2	2	454	1,826	2,280	2,089
Policy and Campaigning	5	2	-	2	2	354	30	384	374
Total Expenditure	6	4	-	4	4	1,369	1,856	3,225	2,957
Net incoming/(outgoing) resources		-	-	-	-	68	115	183	23
Other recognised gains and losses									
Realised (losses)/gains		-	-	-	-	4	-	4	24
Unrealised (losses)/gains		-	-	-	-	3	-	3	12
Actuarial (losses)/gains on defined benefit pension scheme	15	-	-	-	-	(49)	-	(49)	(48)
Net (Deficit)/Income for the year		-	-	-	-	26	115	141	11
Fund balances b/fwd at 1 April 2016		3	-	3	3	883	51	934	923
Fund balances c/fwd at 31 March 2017	17	3	-	3	3	909	166	1,075	934

There are no gains or losses during the year other than the net income/(expenditure) disclosed above. All income and expenditure relates to continuing operations.

The notes on pages 12 to 34 form part of these Financial Statements

THE TRADCRAFT FOUNDATION

BALANCE SHEET AT 31 MARCH 2017

	Note	Foundation		Consolidated	
		2017 £000	2016 £000	2017 £000	2016 £000
Fixed assets					
Tangible	11	-	-	25	25
Investments	12	1	1	40	38
		<u>1</u>	<u>1</u>	<u>65</u>	<u>63</u>
Current assets					
Debtors	13	3	3	349	173
Cash at bank and in hand		2	2	986	1,327
		<u>5</u>	<u>5</u>	<u>1,335</u>	<u>1,500</u>
Creditors: amounts falling due within one year					
Creditors	14	(3)	(3)	(325)	(629)
		<u>2</u>	<u>2</u>	<u>1,010</u>	<u>871</u>
Net current assets					
		<u>3</u>	<u>3</u>	<u>1,075</u>	<u>934</u>
Total assets less current liabilities					
Defined benefit pension scheme liability	15	-	-	-	-
		<u>3</u>	<u>3</u>	<u>1,075</u>	<u>934</u>
Funds and reserves					
Restricted funds	17	-	-	166	51
Unrestricted funds – Designated	17	-	-	12	57
Unrestricted funds – General (excluding pension reserve)	17	3	3	897	826
Pension reserve	17	-	-	-	-
		<u>3</u>	<u>3</u>	<u>1,075</u>	<u>934</u>

The notes on pages 12 to 34 form part of these Financial Statements.

The consolidated financial statements on pages 9 – 34 were approved by the Trustees and authorised for issue on 24 July 2017 and are signed on their behalf by:

Stephen Timms MP, Chair

THE TRAIDCRAFT FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	Foundation		Consolidated	
		2017 £000	2016 £000	2017 £000	2016 £000
Cash flows from operating activities:					
Net cash used in operating activities	19	-	-	(337)	(85)
Cash flows from investing activities:					
Interest received		-	-	1	4
Purchase of tangible fixed assets		-	-	(12)	(9)
Net cash used in investing activities		-	-	(11)	(5)
Net decrease in cash		-	-	(348)	(90)
Cash and cash equivalents at start of year		2	2	1,327	1,381
Change in cash and cash equivalents due to exchange rate movements		-	-	7	36
Cash and cash equivalents at end of year		<u>2</u>	<u>2</u>	<u>986</u>	<u>1,327</u>

THE TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1 ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

Traidcraft Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

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

GOING CONCERN

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

FUND ACCOUNTING

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

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

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

INCOMING RESOURCES

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

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

Listed shares donated during the year are included in donations and valued at market value. Unlisted 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 and it can be measured with sufficient reliability.

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.

THE TRADCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

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	35%
Development Programme	39%
Policy and Campaign Programme	26%

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.

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.

CASH AT BANK AND IN HAND

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

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

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

THE TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

CONTRIBUTION TO PENSION FUNDS

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

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

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

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

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

Further details are provided in the notes to the accounts.

LEASED ASSETS

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

GRANTS PAYABLE

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

TAXATION

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

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

2 INCOMING RESOURCES

	Consolidated			
	2017	2017	2017	2016
	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds
	£000	£000	£000	£000
Donations from individuals				
Regular giving	304	-	304	322
Direct mail activities	184	23	207	149
Fair Traders	109	-	109	65
Traidcraft plc customers/shareholders	138	-	138	121
Community events	105	-	105	93
Challenge events	-	-	-	3
Tax reclaimed through Gift Aid	125	-	125	128
Miscellaneous	193	-	193	241
	1,158	23	1,181	1,122
Split of income			2017	2016
			£000	£000
UK			3,080	2,624
Rest of World			328	356
			3,408	2,980
Consolidated				
			2017	2016
			£000	£000
Grants from Institutional Sources			Restricted	Restricted
<u>Government Bodies and Multilateral</u>				
Department for International Development			293	312
European Union			294	336
ICCO			-	7
<u>Trusts & Charities</u>				
Big Lottery Fund			520	548
Christian Aid			197	218
Comic Relief			305	231
Allan & Nesta Ferguson Charitable Trust			150	-
World of Difference			70	-
The Network for Social Change Charitable Trust			16	-
The Joseph Rowntree Charitable Trust			15	-
All We Can			-	8
Women's World Day of Prayer			-	10
The Beatrice Laing Trust			15	10
Anonymous			15	10
Grants under £10,000			51	56
			1,941	1,746

During the year £2,000 (2016: £nil) unrestricted income was received.

TRADCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

2 INCOMING RESOURCES (CONTINUED)

	Consolidated	
	2017	2016
	Unrestricted	Unrestricted
	£000	£000
Trusts and Charities		
Grants of £10,000 or more	10	10
Grants between £1,000 and £10,000	17	15
Grants under £1,000	4	3
	31	28

3 OTHER INCOME

	Foundation		Consolidated			
	2017	2016	2017	2017	2017	2016
	Total	Total	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds	Funds	Funds
	£000	£000	£000	£000	£000	£000
Miscellaneous	-	-	-	7	7	10
Consultancy income			48	-	48	-
Traidcraft Exchange	2	2	-	-	-	-
Traidcraft plc	2	2	-	-	-	2
	4	4	48	7	55	12

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

4 COSTS OF GENERATING FUNDS

	Consolidated			
	2017	2017	2017	2016
	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds
	£000	£000	£000	£000
Direct salaries	280	-	280	234
Travel and accommodation	6	-	6	4
Other direct costs	126	-	126	98
Overhead allocation	149	-	149	158
	561	-	561	494

The total costs of generating funds excluding allocated overheads amounted to £412,000 and represented 16% (2016: 17%) of the total value of new money raised during the financial year. £2.6m was raised during the year comprising £1.4m raised by the Public Fundraising team and £1.2m in new grants was won by the Programme Funding team. Some of the funds raised by the Programme Funding 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.

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

5 CHARITABLE ACTIVITIES

	Foundation		Consolidated			
	2017	2016	2017	2017	2017	2016
	Total	Total	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds	Funds	Funds
	£000	£000	£000	£000	£000	£000
Development Programmes						
Direct salaries	-	-	274	206	480	433
Travel & accommodation	-	-	1	112	113	89
Direct programme costs	2	2	179	1,355	1,534	1,426
Overhead allocation	-	-	-	153	153	141
	2	2	454	1,826	2,280	2,089
Policy Unit and Campaigning						
Direct salaries	-	-	201	27	228	177
Travel & accommodation	-	-	5	-	5	9
Direct programme costs	2	2	29	3	32	60
Overhead allocation	-	-	119	-	119	128
	2	2	354	30	384	374
	4	4	808	1,856	2,664	2,463

6 RESOURCES EXPENDED

	Consolidated					
	Direct salaries	Travel & accomm.	Direct programme costs	Overhead allocation	Total 2017	Total 2016
	£000	£000	£000	£000	£000	£000
Costs of generating funds						
Voluntary income	119	-	115	71	305	288
Institutional sources	161	6	11	78	256	206
Charitable activities						
Development programmes	480	113	1,534	153	2,280	2,089
Policy and Campaigning	228	5	32	119	384	374
Total Resources Expended	988	124	1,692	421	3,225	2,957

TRADCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

6 RESOURCES EXPENDED (CONTINUED)

Total resources expended include the following amounts:-

	Consolidated	
	2017	2016
	£000	£000
Depreciation	12	15
Operating leases		
- land and buildings	60	49
- other	7	7
Auditor's remuneration		
- as auditors	7	7
- for other services	2	16

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

	2017	2016
	£000	£000
RSM UK Audit LLP: Statutory Audit	7	7
RSM Tax & Accounting Limited: Grant Audits	2	16
	9	23

7 DIRECT PROGRAMME COSTS

	Consolidated	
	2017	2016
	£000	£000
Transfers to local partners	1,140	1,008
Programme running cost	439	466
Consultants	25	51
In-country management costs	88	59
	1,692	1,584
Reallocated to:		
Charitable activities	1,566	1,486
Costs of generating funds	126	98
	1,692	1,584

TRADCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

8 ANALYSIS OF OVERHEAD ALLOCATION

	<u>Salaries</u>						<u>Consolidated</u>	
	<u>Mgmt & Admin</u>	<u>Governance</u>	<u>Office services</u>	<u>Office machinery & consumables</u>	<u>Financial services</u>	<u>PR & Comms</u>	<u>Total 2017</u>	<u>Total 2016</u>
	£000	£000	£000	£000	£000	£000	£000	£000
Costs of generating funds								
Voluntary income	43	2	18	2	3	3	71	93
Statutory bodies	47	2	20	2	4	3	78	65
Charitable activities								
Development programmes	103	4	25	6	8	7	153	141
Policy and Campaigning	70	2	34	3	5	5	119	128
Total Expenditure	263	10	97	13	20	18	421	427

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 (£17,000, 2016: £20,000), Finance (£66,000, 2016: £78,000), HR (£23,000, 2016: £24,000), Public Relations and Communications (£23,000, 2016: £23,000) and general management (£101,000, 2016: £92,000). It also includes recruitment, relocation, training and other staff costs.

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 £1,109 (2016: £1,187) 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.

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

9 STAFF COSTS AND RELATED EXPENDITURE

	Consolidated	
	2017	2016
	£000	£000
Salaries	696	613
Social security costs	62	54
Pension costs (excluding contributions to defined benefit scheme – FRS102)	53	52
Subtotal: employment costs	811	719
Overseas salaries and staff costs	421	371
Recruitment and relocation	5	8
Training and other staff costs	14	9
	1,251	1,107

No employees received employee benefits of more than £60,000. 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 key management personnel of Traidcraft Exchange comprise the trustees, the Chief Executive, Chief Operating Officer, Marketing Director and Director of Traidcraft Exchange. Whilst covering maternity leave, the Head of Policy and Advocacy and Fundraising and Programmes Leader were also part of key management personnel. The total employee benefits of the key management personnel were £118,000 (2016: £116,000).

The head count during the reporting period was 47 staff. The average number of full-time equivalent employees in our UK and overseas offices during the year was:

	Consolidated	
	2017	2016
	No.	No.
Development programmes, Policy Unit and support	30	33
Fundraising	8	7
Management and administration	5	5
	43	45

10 TRANSACTIONS WITH TRUSTEES

The Chief Executives in the year, Andy Biggs (resigned 7th October 2016) and Robin Roth (appointed 1st October 2016), were 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.

Other than Andy Biggs and Robin Roth, the Chief Executives, no trustees received remuneration from the Charity during the year. Total expenses paid to two (2016: three) of the Trustees amounted to £717 (2016: £330). These related to the costs of attendance at board and other meetings.

TRADCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

11 TANGIBLE FIXED ASSETS

	Consolidated	
	2017	2016
	£000	£000
Furniture and Equipment		
Cost		
At 1 April 2016	152	172
Additions	12	9
Disposals	(41)	(29)
At 31 March 2017	123	152
Depreciation		
At 1 April 2016	127	140
Less depreciation on disposals	(41)	(28)
Charge for year	12	15
At 31 March 2017	98	127
Net Book Value at 31 March 2017	25	25
Net Book Value at 31 March 2016	25	32

12 INVESTMENTS

	Foundation		Consolidated	
	2017	2016	2017	2016
	£000	£000	£000	£000
At 1 April 2016	1	1	38	30
Additions in the year	-	-	8	5
Disposals	-	-	-	-
Change in valuation	-	-	(6)	3
Market value at 31 March 2017	1	1	40	38
Cost	1	1	1	1

The investments represent shares in Traidcraft plc which are not listed on any stock exchange and which were donated to Traidcraft Exchange by supporters. The shares were valued by the trustees as at 31 March 2017. The Trustees intend to sell these shares once their liquidity improves. Due to the illiquid nature of these shares the Trustees believe it is appropriate to classify them as a fixed asset investment.

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

13 DEBTORS

	Foundation		Consolidated	
	2017	2016	2017	2016
	£000	£000	£000	£000
VAT receivable	-	-	11	6
Accrued income	-	-	303	130
Traidcraft plc	-	-	-	1
Other debtors	3	3	35	36
	3	3	349	173

14 CREDITORS: amounts falling due within one year

	Foundation		Consolidated	
	2017	2016	2017	2016
	£000	£000	£000	£000
Supporters loans	-	-	3	3
Trade creditors	-	-	13	21
Accrued expenses and deferred income	3	3	282	603
Traidcraft plc	-	-	27	-
Other creditors	-	-	-	2
	3	3	325	629

Deferred income included within accrued expenses and deferred income	2017	2016
	£000	£000
Brought forward	462	529
Deferred	90	413
Released	(421)	(480)
Carried forward	131	462

Deferred income is funds received from Institutional Donors that have not been spent at the year end. It will be spent on planned future project activities. The majority will be spent in 2017/18. Income will be recognised as the monies are utilised.

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

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 2016 indicated that the scheme is approximately 90.7% funded against technical provisions with a deficit of £690,000. The agreed ongoing funding to be paid by the employer is £220,000 per annum which is intended to bring the scheme up to a fully-funded position by 31 March 2020. The total charge for the year paid by Traidcraft relating to this scheme, shown below, is divided between Traidcraft plc and Traidcraft Exchange according to the prevailing advice about the split of liabilities in the scheme.

The Charity expects to contribute £46,200 to the defined benefit pension plan in the year to 31 March 2017. It should be noted that the deficit calculated in the triennial valuation and the surplus or deficit calculated under FRS17 differ as the two methods require different assumptions to be used.

The Financial Reporting Standard 102 Section 28 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 2017.

Key assumptions

	2017	2016
Discount rate	2.50%	3.40%
Expected rate of salary increase	2.30%	1.95%
Rate of increase of pensions accrued post 5 April 1997	2.30%	1.95%
Rate of revaluation of deferred pensions	2.30%	1.95%

Mortality assumptions

The assumed life expectations on future lifetime from retirement age 65 are:

	2017	2016
<i>Retiring today</i>		
Males	21.9	21.9
Female	23.7	23.8
<i>Retiring in 20 years</i>		
Males	22.9	23.2
Female	24.9	25.3

Amounts recognised in the Statement of Financial Activities:

	2017	2016
	£000	£000
Net interest on defined benefit asset:	63	(32)

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

15 PENSIONS (CONTINUED)

Amounts taken to Statement of Financial Activities:

	2017	2016
	£000	£000
Actual return on scheme assets	263	(53)
Actuarial changes related to obligations	(264)	51

Amounts included in the balance sheet arising from the company's obligation in respect of defined benefit plans:

	2017	2016
	£000	£000
Present value of defined benefit obligations	(1,610)	(1,335)
Fair value of plan assets	1,610	1,335
Deficit in the scheme	<u><u>-</u></u>	<u><u>-</u></u>

In the year ended 31 March 2017 the actuarial valuation for accounting purposes showed a surplus of assets over liabilities at that date of £14,000 (2016 £74,000). In accordance with FRS102 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 pension scheme trustees have agreed a refund from the scheme at the balance sheet date. Neither condition was met at the balance sheet date and therefore the surplus was not recognised.

Movement in the present value of the defined benefit obligations:

	2017	2016
	£000	£000
Opening defined benefit obligation	(1,335)	(1,383)
Interest cost	(45)	(44)
Actuarial gain/(losses)	(264)	51
Benefits paid	34	41
Closing defined benefit obligation	<u><u>(1,610)</u></u>	<u><u>(1,335)</u></u>

Movement in the fair value of scheme assets:

	2017	2016
	£000	£000
Opening fair value of scheme assets	1,335	1,383
Interest income	48	46
Interest limited under FRS102	60	(34)
Return on plan assets excluding interest	155	(65)
Contributions by employer	46	46
Benefits paid	(34)	(41)
Closing fair value of scheme assets	<u><u>1,610</u></u>	<u><u>1,335</u></u>

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

15 PENSIONS (CONTINUED)

Analysis of the scheme assets at the reporting date:

	2017 £000	2016 £000
Equities	1,120	943
Bonds	241	188
Other	263	278
Value recognised limited under FRS102	(-)	(-)
	<hr/>	<hr/>
Total market value of assets	<u>1,624</u>	<u>1,409</u>

Return on plan assets:

The actual return on plan assets was £203,000 (2015 £19,000).

Defined contribution scheme:

At 31 March 2001 Traidcraft closed entry to the defined benefit scheme and closed accrual of future benefit within that scheme. On 1 April 2001 Traidcraft introduced a Group Personal Pension Scheme (a type of defined contribution scheme) which now has an employer's contribution rate of 7.5% (2016 - 7.5%). Traidcraft Exchange made contributions of £44,000 during the past year (2016 - £43,000) and this cost, together with administration charges of £9,000 (2016 - £9,000) relating to the closed scheme comprise the pension cost of £53,000 (2016 - £52,000) shown in Note 9 to these accounts.

16 TRANSACTIONS WITH RELATED PARTIES

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

1. Traidcraft Exchange (charity number 294953) is a company limited by guarantee, a registered charity and a subsidiary of The Traidcraft Foundation. The activities of the organisation include fund-raising, media exposure, developing partners in the third world and ethical business work. Traidcraft Foundation is the founder member of Traidcraft Exchange and in a general meeting has the number of votes that exceeds by one the number of all other votes cast. All activities of Traidcraft Exchange have been consolidated on a line by line basis in the SOFA.
2. Traidcraft plc is a company of which Traidcraft Foundation owns the one Guardian Share. This confers certain protective powers on the Foundation (see note on Page 5 under "Consolidated Accounts"). Traidcraft plc imports handicrafts, fashion goods and clothing, tea, coffee and foodstuffs from developing countries, which it sells through its Fair Trader network, by wholesale and by direct mail.
3. Costs of running Traidcraft Foundation are met equally by Traidcraft Exchange and Traidcraft plc.
4. Trustees – three trustees donated £2,459 (2016: £320) during the year.

	2017 £000	2016 £000
Transactions during the year were as follows:		
Traidcraft plc		
Purchase of goods and services by Traidcraft Exchange	166	171
Sale of services by Traidcraft Exchange	5	5
Donations to Traidcraft Exchange	-	-
Balances due from related parties at 31 March 2017		
Traidcraft Exchange	3	3

TRADCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

17 ANALYSIS OF FUNDS

	Foundation			Consolidated		
	Restricted 2017 £000	Unrestricted 2017 £000	Total 2017 £000	Restricted 2017 £000	Unrestricted 2017 £000	Total 2017 £000
Fixed assets	-	-	-	-	25	25
Debtors	-	3	3	164	185	349
Investments	-	1	1	-	40	40
Cash at bank & in hand	-	2	2	177	809	986
Creditors due in 1 year	-	(3)	(3)	(175)	(150)	(325)
	-	3	3	166	909	1,075

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

The Designated Fund represents funds that Traidcraft Exchange set aside to finance its Catalyst Innovation Fund and to cover Matched Funding. The Catalyst Innovation 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. Restricted funding has also been received for the Catalyst Innovation Fund and is disclosed separately in Note 22.

Unrestricted Funds (£000)

	B/fwd	Income	Expenditure	Other gains	Transfers	C/fwd
Unrestricted funds	826	1,437	1,366	-	-	897
Designated fund	57	-	45	-	-	12
	883	1,437	1,411	-	-	909

18 RESTRICTED FUNDS

	Foundation		Consolidated	
	2017 £000	2016 £000	2017 £000	2016 £000
Grants received for work not yet completed	-	-	166	51
	-	-	166	51

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

TRADCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

19 CASH FLOWS FROM OPERATING ACTIVITIES

	Foundation		Consolidated	
	2017	2016	2017	2016
	£000	£000	£000	£000
Net income for the year	-	-	183	23
Adjustments for:				
Depreciation charge	-	-	12	15
(Gains)/losses on investments	-	-	(2)	(8)
Interest received	-	-	(1)	(4)
Loss on sale of fixed assets	-	-	-	-
Pension scheme movement	-	-	(49)	(48)
Decrease in debtors	-	-	(176)	77
Decrease in creditors	-	-	(304)	(140)
Net cash used in operating activities	-	-	(337)	(85)

20 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2017 the Group had annual commitments under non-cancellable operating leases as set out below.

	Consolidated	
	2017	2016
	£000	£000
Operating leases which expire:		
<u>Land and Buildings</u>		
Within 1 year	1	9
Within 2 to 5 years	42	39
<u>Other</u>		
Within 1 year	-	1
Within 2 to 5 years	6	6
	49	55

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

21 TRAIDCRAFT PLC AND TRAIDCRAFT EXCHANGE - FINANCIAL DETAILS

The Foundation holds directly 1,000 shares in Traidcraft plc and indirectly, through Traidcraft Exchange, a further 164,081 shares in Traidcraft plc:

	2017 No.	2016 No.
Ordinary voting 10p shares	165,081	136,749
	<u>165,081</u>	<u>136,749</u>

Summary Financial Statements: Traidcraft plc.

	2017 £000	2016 £000
Aggregate value of capital and reserves	<u>3,136</u>	<u>3,966</u>
Turnover	10,542	11,302
Cost of sales	<u>(6,065)</u>	(6,630)
Gross profit	4,477	4,672
Distribution costs	(601)	(610)
Administration expenses	<u>(4,607)</u>	(4,272)
Other operating income	187	214
Operating profit/(loss) before interest	(544)	4
Fair value (loss)/gain on foreign exchange contracts	(113)	(131)
Interest receivable	120	1
Interest payable	<u>(9)</u>	(151)
(Loss)/profit on ordinary activities before taxation	<u>(546)</u>	(277)
Taxation	<u>(50)</u>	(6)
(Loss)/profit for the financial year	(596)	(283)
Other comprehensive income		
Actuarial losses on defined benefit pension	(243)	(24)
Unclaimed dividends	-	8
Total comprehensive income for the year	<u>(839)</u>	<u>(299)</u>

Summary Financial Statements: Traidcraft Exchange

	Restricted 2017 £000	Unrestricted 2017 £000	Total 2017 £000	Total 2016 £000
Aggregate value of capital and reserves	166	906	1,072	931
Incoming resources	1,435	1,971	3,406	2,978
Resources expended	1,367	1,856	3,223	2,955
Net income/ (loss) for the year	68	115	183	23

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

22 RESTRICTED FUNDS

The table on page 33 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. 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 on the next page.

Overseas Development Programmes

South Asia Programme

Bangladesh

In 2016/17, the Bangladesh programme strengthened their focus on the agro-processing sector in addition to continuing to work in the jute and small tea growing sectors.

Traidcraft joined a consortium led by Helvetas Swiss Intercooperation to initiate a large project in agro-food processing - 'Sustainable Skills and Employment in Small Scale Agro-Food Processing (SHAMERTO)'. The project is designed to strengthen skills, employability and income of workers and entrepreneurs of small, micro and cottage agro-food processing enterprises (SMCE). Specifically, the project will increase gainful employment of workers, better integrate agro-food SMCEs in selected value chains and overall enable business improvement for agro-food SMCEs. The European Commission awarded EUR 3.92 million for 3 years, of which EUR 0.85 million will be routed through Traidcraft.

Two projects are running under our 'EqualiTEA' programme with an aim of bringing 12,500 people out of poverty permanently by supporting them both technically and financially in small tea cultivation. The projects will also work to improve the policy environment in the tea sector of Bangladesh. Christian Aid and UK Government's Department for International Development (under their UKAid matching grant programme) funded 'EqualiTEA II' and 'EqualiTEA UKM' (PO number 40095598; component code 203559-135) projects respectively.

In the jute sector, our 'JEWEL (Jute: Empowered Women Ensured Livelihoods)' project has been working directly with 4,320 extremely marginalized women (21,600 beneficiaries) who are associated with the jute supply chain. The project is funded by the Big Lottery Fund (Project ID 0010223397). By the end of the project women will experience a 30% increase in wages and 50% increase in overall income.

In 2016/17, we successfully completed the 'Alternative Livelihood Options (ALO)' project ensuring the sustainable livelihoods for 8,074 small and marginal farmers in North-East Bangladesh (40,370 beneficiaries). The project was funded by the Big Lottery Fund (Project ID 10071412).

For the year ended 31 March 2017

22 RESTRICTED FUNDS (CONTINUED)

India

2016/17 focused on working in the textiles and cotton sectors with a view of improving the sustainability of these chains.

In the Textiles sector, our 'Going Green' project has worked to develop 'green' standards for textile producers through improvement of production processes (e.g. use of natural dyes, effluent treatment, occupational health & safety, working conditions, and recycling of waste material) directly benefiting 12,500 artisan households. This project is being supported by European Commission (DCI-ASIE/2012/48). In addition, we completed the 'Weaving a New Story' project in Varanasi with 5,000 weaver households in Uttar Pradesh and Rajasthan, developing their product range and linking them to markets, which was funded by the Department for International Development.

In the cotton sector the focus of the 'Sustainable Future's project supported by the Big Lottery Fund (project ID 0010230929) and other donors, has been on organic farming, diversification of livelihood options, a special focus of women entrepreneurs and the development of business cooperatives, which is benefited 4,000 smallholder households in Odisha.

Bangladesh and India

Led by our local partner in India, the Centre for Education and Communication (CEC), and working in collaboration with, Bikash, our local partner in Bangladesh, the 'EqualiTEA' project (which completed in June 2016) aimed to reduce poverty among 51,000 small tea growers (STGs) in India and Bangladesh by enabling them and their representative bodies in India and Bangladesh to realise fairer terms of trade, mainly through group organisation. EC were the lead partner and received a grant from the European Union for this work (DCI-NSA/2011/260-631). The Allan & Nesta Ferguson Charitable Trust also made a grant which was received by Traidcraft.

East Africa Programme

Senegal

In 2016/17, a new project, 'Juicing Justice project for Farmers', started in Senegal, working in partnership with two small Senegalese enterprises called Zena and BDS. The project, funded by Comic Relief (Grant ID 1324191), aims at enabling 2,200 forest fruit farmers to acquire environmentally sustainable forest fruit harvesting knowledge and skills, increase their income from sales of exotic forest fruits and improve their livelihoods. It also aims at strengthening the capacity of the two small businesses to trade with the farmers in ethical practices that ensure equitable sharing of risks and benefits as well as develop their capacity to access European markets with innovative juice brands.

Kenya

During the year, we completed the 'Kenya Horticulture - A Fair Deal for Small Farmers and Workers' project. Working in partnership with the Kenyan Human Rights Commission, the project helped 3,890 Kenyan green bean farmers and pack-house workers improve their livelihoods and make their voices heard in a difficult supply chain. At the end of the project, lessons learned from implementing the three-year project were shared with a wide range of stakeholders within Kenya and the UK in order to improve the conditions for even more workers and farmers involved in export agriculture. The project was funded by Comic Relief (GR0002-07284-HTOR).

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

22 RESTRICTED FUNDS (CONTINUED)

Funded by the Big Lottery Fund (Project ID 0010097085) and working in collaboration with Christian Aid and Farm Concern International, the 'Flourishing in Vulnerable Environments (FIVE)' project is supporting 6,000 farming households (30,000 beneficiaries) in semi-arid areas to: improve their production and sale of five key crops, increase their capacity to adapt to the changing climate, access effective support services, improve the position of women and reduce the disproportionate work burden they bear.

Working in partnership with Iriani Tea Factory in Nyeri County, our 'DiversiTEA' project aims to improve the livelihoods of 308 smallholder tea farming households by diversifying and increasing their income through beekeeping. Including dependents, approximately 1,848 people will benefit. The project, piloting new ways of working, will improve farmers' bee husbandry skills and help them and the factory to improve market access. This is a two year project finishing in 2017, funded by Ringtons Tea Growing Community Charitable Trust.

Global Programme

ACRE Technical Assistance: Traidcraft is a member of the ACRE consortium along with Christian Aid, Practical Action, TWIN Trading and Challenges Worldwide. Access to Capital for Rural Enterprises [ACRE] seeks to address the lack of tailored support and access to capital available to rural enterprises in low to medium income countries in Africa, Asia and the Middle East and Latin America. By bringing together the five international NGOs, ACRE sources and supports rural enterprises with the potential to succeed and create jobs, deliver systemic benefits to the markets in which they operate, and benefit the poor and marginalised. In 2016/17, we have supported a Chilean beekeeping cooperative, to access nearly \$2 million dollars of finance to build a new processing unit to enable them to increase their sales volumes and values. We have also supported four other businesses to develop their business plans and these have been drafted and reviewed. These are now being re-edited ahead of submission to the ACRE syndicate of investors.

Our Catalyst Innovation Programme enables us to undertake vital preliminary research, scoping, piloting and consultation work which can subsequently be scaled up into high-impact development projects that impact on some of the poorest across our areas of operation in Asia, Africa and South America by:

- Investing in developing new sectors and approaches to fair trade;
- Developing and testing ways of increasing the flow of benefits of local, regional and international trade to the world's poor;
- Supporting developing world businesses to increase their resilience and sustainability by giving them the business and technical support they need to become investment-ready and
- Funding the incubation stage of our international development projects.

The main donors are the Allan & Nesta Ferguson Charitable Trust Ferguson Trust and the Ceniarth Foundation. Designated funding is also used for the Catalyst Innovation Programme and is disclosed separately in Note 17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

22 RESTRICTED FUNDS (CONTINUED)

The Producer Support Programme aims to help fair trade producer groups across the developing world to become sustainable, flourishing businesses. The programme focuses on potential or existing Traidcraft suppliers of fair trade products. By assisting them to improve their products, operate more effectively and access more markets, they will be able to grow their businesses and ability to provide income and good working conditions for the thousands of poor people they source from and/or employ. In 2016-17, the Producer Support Programme has dealt with several different themes from helping coffee farmers (Cipac, Guatemala) to deal effectively with the “coffee rust” illness and planting new coffee plants to replace the affected ones; to providing training to farmers (MGSFO, Burma/Myanmar) to understand and implement fair trade practices to obtain the Fairtrade certification which they received in March 2017. Handicraft partners have received regular information in design trends and innovative use of different raw materials; including recycling possibilities. Some specific handicraft partners such as SHAPII (Philippines), Saffy (Philippines), Saidpur Enterprises (Bangladesh); Mai Handicrafts (Vietnam) and Kisac (Kenya) have received support on design, marketing, fair trade and quality themes. Finally, rubber farmers in Sri Lanka have received support to strengthen their cooperatives.

Policy and Campaigning Programme

Following the EU referendum results, Traidcraft was quick to work on the likely impact of Brexit on developing country producers and farmers, and to develop recommendations through its on-going international investment agreements work. This work has been funded internally by the catalyst fund, by the Joseph Rowntree Charitable Fund and funding was secured from the Network for Social Change.

The Justice Campaign is aiming to secure changes to the UK legal framework to allow companies to face criminal charges for crimes or severe harms they cause overseas. This work has been funded with the support of the Joffe Foundation, CAFOD and All We Can.

A new project funded by Sustain: the alliance for better food and farming, started during the year for the delivery of the Grocery Code Adjudicator Review Project over the period 2016-2019.

Child Labour, Eco Jute, EC Investments and Agricultural Innovation: These are all programmes where project related activities and evaluations finished in previous financial years, but remaining payments to partners or repayments to donors were made during this financial year following the formal closure of the project.

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

22 RESTRICTED FUNDS (CONTINUED)

	<u>Restricted Fund B/F (£)</u>	<u>Income (£)</u>	<u>Expenditure (£)</u>	<u>Restricted Fund C/F (£)</u>
<u>SOUTH ASIA PROGRAMME</u>				
<u>Bangladesh</u>				
SHAMERTO	-	3,546	3,546	-
JEWEL (Project ID: 0010223397)	19,460	173,519	181,121	11,858
EqualiTea II	-	91,449	91,449	-
EqualiTea UKM	-	231,765	231,765	-
Alternative Livelihood Options (Project ID:10071412)	-	82,253	82,253	-
<u>India</u>				
Weaving a new story	-	60,914	60,914	-
Child Labour – Crafts	-	11,718	11,718	-
Going Green	2,000	241,943	243,943	-
Sustainable Futures (Project ID: 0010259279)	-	133,508	133,508	-
<u>Bangladesh & India</u>				
Eco Jute	-	26,639	26,639	-
EqualiTea	8,912	9,867	18,779	-
<u>EAST AFRICA PROGRAMME</u>				
<u>Senegal</u>				
Juicing Justice	-	223,196	220,384	2,812
<u>Kenya</u>				
Kenya Horticulture	-	112,987	112,987	-
Agricultural Innovation – Kenya	-	7,315	7,315	-
FIVE (Project ID: 10097085)	16,644	203,073	219,717	-
DiversiTea	-	6,120	6,120	-
<u>OTHER PROGRAMMES</u>				
ACRE	-	98,438	98,438	-
Catalyst	-	150,000	20,304	129,696
Producer Support	3,881	56,600	55,189	5,292
Total International Programmes	50,897	1,924,850	1,826,089	149,658
<u>POLICY AND CAMPAIGNING PROGRAMME</u>				
International Investment Agreements	-	30,985	15,172	15,813
Justice Campaign	-	5,431	5,431	-
EC Investments	-	2,070	2,070	-
The alliance for better food and farming	-	7,500	7,500	-
Total Policy and Campaigning Programme	-	45,986	30,173	15,813
Total 2017	50,897	1,970,836	1,856,262	165,471
Total 2016	61,788	1,763,586	1,774,477	50,897

TRAIDCRAFT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

23 STATEMENT OF FINANCIAL ACTIVITIES COMPARATIVES FOR 2016

	Note	Foundation			Consolidated		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		Funds	Funds	Funds	Funds	Funds	Funds
		2016	2016	2016	2016	2016	2016
		£000	£000	£000	£000	£000	
INCOME FROM:							
Donations and Legacies							
		-	-	-	1,117	5	1,122
	2	-	-	-	66	-	66
		-	-	-	28	-	28
	2	-	-	-	4	-	4
		-	-	-	-	1,746	1,746
	2	-	-	-	-	1	12
	3	4	-	4	11	-	2
	15	-	-	-	2	-	2
		4	-	4	1,228	1,752	2,980
EXPENDITURE ON:							
Raising funds							
		-	-	-	288	-	288
	4	-	-	-	206	-	-206
Charitable activities							
		2	-	2	374	1,715	2,089
	5	2	-	2	314	60	374
	5	2	-	2	314	60	374
		4	-	4	1,182	1,775	2,957
	6	4	-	4	1,182	1,775	2,957
Net incoming/(outgoing) resources							
		-	-	-	46	(23)	23
Other recognised gains and losses							
		-	-	-	12	12	24
		-	-	-	12	-	12
	15	-	-	-	(48)	-	(48)
		-	-	-	22	(11)	11
		-	-	-	22	(11)	11
		3	-	3	861	62	923
		3	-	3	883	51	934
	17	3	-	3	883	51	934
		3	-	3	883	51	934