

**THE TRAIDCRAFT EXCHANGE  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2017**

Charity number: 1048752

Company number: 03031674

## TRAIDCRAFT EXCHANGE

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<b>CONTENTS</b>	<b>PAGES</b>
Report of the Trustees, including:	1 – 15
Reference and Administrative Details	1
Our Purposes and Activities	2 – 3
Achievements and Performance	4 – 7
Financial review	8 – 10
Plans for Future Periods	11
Structure, Governance and Management	12 - 14
Trustees' Responsibilities for the Financial Statements	15
Auditors' Report	16 – 17
Statement of Financial Activities and Income and Expenditure Account	18
Balance Sheet	19
Statement of Cash Flows	20
Notes to the Financial Statements	21 - 41

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) an Impact and Performance Report ([www.traidcraft.org.uk/impactreport](http://www.traidcraft.org.uk/impactreport)).

# TRAIDCRAFT EXCHANGE

## REPORT OF THE TRUSTEES

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### **REFERENCE AND ADMINISTRATIVE DETAILS**

#### **TRAIDCRAFT BOARD MEMBERS**

##### **Trustees of Traidcraft Exchange**

Ram Gidoomal - *Chair*  
Andy Biggs - *Chief Executive (resigned 7<sup>th</sup> October 2016)*  
Robin Roth – *Chief Executive (appointed 1<sup>st</sup> October 2016)*  
Jenny Borden  
Liz Cotton  
Matt Edmundson  
Sarah Hughes  
David Neale  
Margaret Sentamu

##### **Key Management Personnel** (*attend Board meetings of Traidcraft Exchange*)

Charlotte Timson – *Director of Traidcraft Exchange*  
Andy Biggs – *Chief Operating Officer (appointed 8<sup>th</sup> October 2016) and Company Secretary*  
Larry Bush - *Marketing Director (resigned 31<sup>st</sup> December 2016)*

##### **Staff Director of Traidcraft plc** (*also attend Board meetings of Traidcraft Exchange*)

Tessa Bees

None of the Executive Officers or the Staff Nominee has voting rights at the Board except for 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 is a party.

#### **PRINCIPAL PROFESSIONAL ADVISERS**

Auditors:	RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Bankers:	HSBC Bank plc
Principal legal advisers:	Muckle LLP

***Traidcraft Exchange Ltd is a registered charity, number 1048752 and also a company limited by guarantee registered in England, number 03031674.***

***Registered office: Kingsway, Gateshead, NE11 ONE, UK Tel: +44 (0)191 4910591***

## **TRAIDCRAFT EXCHANGE**

### **REPORT OF THE TRUSTEES**

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#### **OUR PURPOSES AND ACTIVITIES**

With a mission to fight poverty through trade, Traidcraft Exchange promotes approaches to trade that help people in developing countries to transform their lives. It operates for the public benefit through the charity's following purposes:

- 1) To deliver development projects across the developing world that enable poor producers to grow their businesses, find markets and engage in local and international trade - helping people to build the skills, knowledge and confidence to work their way out of poverty.
- 2) To raise public awareness of injustice and build public support for trade justice and corporate accountability through policy advocacy and campaigning.

Working with local partners and communities, and engaging with the private sector, other NGOs and governmental bodies, our interventions carried out for public benefit revolve around three inter-related areas:

- Trade: We help farmers, artisans and small enterprises to gain the confidence, knowledge and opportunities they need to work together effectively, find markets for their products, and engage successfully in trade, giving them greater security for the future.
- Support: We identify the services that farmers, artisans and small enterprises need to enable them to trade effectively. We work with local public and private service providers to equip them with business skills and ensure that appropriate and affordable business support is available where it is needed.
- Influence: We lobby and campaign for trade policies and practices that help – rather than hurt – poor people, and encourage those who feel powerless to speak up for their rights. We challenge injustice and encourage changes in government policies, corporate practices and public attitudes to trade, development and poverty.

#### **OVERSEAS DEVELOPMENT ACTIVITIES**

Our overseas programmes are based in East Africa (and Senegal) and South Asia where we have regional offices. We have a wide range of projects that work in different sectors - everything from tea to bees - and we aim to identify and remedy many of the issues that small-scale producers face. Through our projects we:

- Help farmers and artisans to form groups and work collectively
- Improve the provision of business services to poor producers
- Build the skills and capacity of small enterprises to develop viable businesses and increase their income
- Enable small-scale farmers to increase productivity, decrease costs and make the most from their landholdings
- Enable farmers and artisans to find new markets for their crops or products
- Support farmers and artisans to cope better with climate change
- Encourage small businesses to adopt more responsible practices
- Enhance the policy environment in favour of poor people

## **TRAIDCRAFT EXCHANGE**

### **REPORT OF THE TRUSTEES**

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#### **POLICY AND CAMPAIGN ACTIVITIES**

Our policy and campaign programme influences policy makers in the UK, the European Union and within large companies by promoting trade justice and responsible corporate practices. We also seek to promote the effective development of thinking and practice within the global fair trade movement. We do this by:

- Conducting research and monitoring developments in trade investment and business practice
- Lobbying those with the power to make a difference
- Encouraging our supporters to campaign for change.

Current activities focus on: power in global supply chains, trade and investment policy, post-Brexit trade and business and human rights (Justice campaign).

Our aims and activities fully reflect the purposes that Traidcraft Exchange was set up to further. The trustees 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. We believe our work and impact are as important as ever in the fight against global poverty.

## TRAIDCRAFT EXCHANGE

### REPORT OF THE TRUSTEES

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#### **ACHIEVEMENT AND PERFORMANCE**

The key highlights of 2016/17 include: making farmers and packhouse workers in Kenya more aware of their rights and more able to secure better terms of employment; helping textile artisans in Northern India run profitable businesses using eco-friendly techniques; supporting tea workers in Bangladesh to use tea to fight poverty and social exclusion; and campaigning for a Brexit that works for farmers and workers in the poorest countries.

#### **OVERSEAS DEVELOPMENT PROGRAMME**

**Reach and impact** - the reported number of beneficiaries reached in 2016/17 through our current projects is 477,780 (2016: 558,859), falling short of the annual target of 540,000. This is mainly because fewer new projects started in the year than hoped. Small scale farmers and workers and their communities benefit directly and indirectly from Traidcraft's projects by having better prices, decent working conditions and more control over their futures and protection of their environment for future generations. See Note 20 for brief descriptions of projects implemented during 2016/17.

The main achievements for 2016/17 are set out below:

#### **Africa:**

We successfully launched the **'Juicing Justice for Farmers' project in Senegal**, a collaboration between Traidcraft Exchange, Traidcraft plc and two Senegalese social enterprises - a Comic Relief funded project that will enable 2,200 extremely poor smallholder farmers and fruit collectors in Senegal's marginalised Casamance region to improve their agroforestry practices and enhance the terms of trade they receive for their highly sought after indigenous fruits.

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 become more aware of their rights and better able to secure improved terms of employment. A key achievement was bringing together all the players along the supply chain - from the farmers to the UK supermarket – to discuss the challenges the farmers face. This led to changes in the technical specifications of the beans as well as confirmed monthly minimum orders. This meant that farmers can sell more and have more certainty that their efforts to grow crops will not be wasted.

In 2016/17, several projects in East Africa were financed under our **Catalyst Programme**, including strengthening the lobbying capacity of a newly formed tea association in Kenya, a scoping study on challenges and opportunities for economic empowerment of people with disabilities in coffee and cocoa value chains in Tanzania with a view to developing a larger initiative, and assessing the progress and preparedness by Kenyan employers to implement recommendations for living wage benchmarks.

## TRAIDCRAFT EXCHANGE

### REPORT OF THE TRUSTEES

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#### Asia:

Traidcraft Exchange has been working with textile artisans in Northern India via our '**Going Green**' project, helping them to run profitable businesses using eco-friendly techniques. Most of the dyes commonly used in Indian textiles are harmful to the environment and to the textile workers themselves. In 2016/17, we have worked to produce 'green' standards for textile producers through improvement of production processes. We have promoted the use of natural dyes, recycled materials and good health and safety standards. In total, this work is directly benefitting 12,500 artisan households.

We also completed Phase II of the India project "**Weaving a New Story: developing a sustainable livelihoods model for poor weavers in Benares**" that focused on strengthening the Weavers' organisation, the Varanasi Weavers and Artisans Society, with the vision of rejuvenating authentic Varanasi handloom weaves through design, marketing, and enterprise development support to the weavers.

We registered **Traidcraft India Private Limited** in 2015, a for-profit company, offering services to a range of public and private organisations. In 2016/17, we have undertaken market research, done scoping studies, undertaken training of trainers, supported smallholder cooperatives on business planning and supported organisations with perspective planning and new project development. A number of new projects were also developed that will start in 2017/18.

In June 2016, we completed our '**EqualiTEA**' project that aimed to reduce poverty among 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. The project organised over 50,000 small tea growers in India and Bangladesh, built their capacity on tea growing and good bush management, and enhanced linkages between growers and factories. In both India and Bangladesh tea farmers have achieved significant increases in their income through the cultivation of tea. In India, substantive progress was made on lobbying for policy change. As a result, the Tea Board of India has set up a Directorate for Small Tea Growers, and requested Centre For Education & Communication to be its strategic partner, providing training to its own teams and working to help it achieve its own targets.

Through our on-going projects, we continued to have success in the **tea sector** in some of the poorest areas of Bangladesh. Income generating options in these poor areas are very limited, so people living there struggle to earn enough money to survive. We have made a particular effort to support women through this work – helping them to use tea to fight poverty and social exclusion. Our work here is relatively new but we have already seen some promising signs:

- 3,000 tea growers have been organised into 60 collectives – this increases their bargaining power while also giving them a chance to share knowledge and best practices.
- 120 leaders (2 from each collective) have been trained in group leadership and operations.
- 1.5 million tea saplings have been supplied to 812 tea growers according to their needs.
- 3,000 tea growers received training on modern agricultural practice to boost the quality and quantity of their crop.

During the year, 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 success of the project in meeting its targets is reflected in various facets such as the increase of income of the beneficiaries (an annual average increase of approximately £450 per beneficiary), strong linkages between the beneficiaries with various stakeholders (especially with public and private service providers) and well-functioning agro-associations. Traidcraft's Group Savings and Investment Scheme (GSIS) model also was a huge success. Groups saved approximately £457k that could reduce vulnerability to potential environmental and market-related shocks. A six-fold return on the project budget demonstrated the excellent project design and implementation.

## **TRAIDCRAFT EXCHANGE**

### **REPORT OF THE TRUSTEES**

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A major achievement of our **Producer Support Programme**, was providing training to rice farmers (MGSFO, Myanmar) to understand and implement fair trade practices to obtain Fairtrade certification in March 2017.

#### **POLICY AND CAMPAIGN PROGRAMME**

Traidcraft's policy and campaigning work seeks wider impact by holding businesses to account for their impacts and promoting an enabling environment that supports fair trade. This year the main achievements have been on our Justice Campaign and responding to the outcome of the Brexit referendum.

##### **Justice campaign**

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. In May 2016, we hosted a high-level breakfast meeting in Parliament, addressed by Eric Pickles (the Government's Anti-Corruption Tsar), David Green (Director of the Serious Fraud Office) and Liz May, Traidcraft's Director of Policy. We were able to make the connections between Government plans aimed at tackling bribery and economic crime (such as fraud and money laundering), with wider human rights abuses.

We supported this with a major public petition, securing 20,000 signatures handed in to Downing Street in November. The issue is now firmly on the parliamentary agenda, with an inquiry into stronger action on economic crime launched and strong recommendations coming out of an influential parliamentary committee on Human Rights.

##### **Investment work**

Following the decision of the UK to leave the European Union, 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.

We engaged with Government straight away, and pulled together a strong coalition of development and trade campaigners to raise awareness amongst our supporters, parliamentarians and the media. A short public campaign in partnership with The Fairtrade Foundation encouraged supporters to contact their MPs to build awareness and subsequently built a 38,000-strong petition to International Trade Secretary Liam Fox. This has been successful to date and we know that our messages have reached the right Ministers and are being seriously considered.

# TRADCRAFT EXCHANGE

## REPORT OF THE TRUSTEES

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### RAISING FUNDS

2016/17 proved to be another very challenging year especially raising new institutional grants and unrestricted trust, charity and major donor income. Many other charities are also facing similar challenges. However, public fundraising performed better year on year. Public unrestricted income increased by 14% from £1.2 million to £1.4 million due to a rise in both donations and legacies from supporters. Compared to target, legacies were almost 2.5 times higher, but other donations were slightly down.

The level of funding secured during 2016/17 from Traidcraft’s main institutional donors – EC, DFID, Comic Relief, and Big Lottery, has risen compared to previous years, but was still significantly below target due to these donors having continued the suspension of the funding window after taking the decision to do strategic reviews of their funding relationships with civil society. During the year, we raised £1.2 million of new contract value against a target of £2.5 million. There is a lag between projects getting approved and projects starting, so the level of project income and expenditure in 2016/17 was still good due the number of on-going projects that were approved in 2014/15. The impact will however be felt in the next 12 to 18 months as current projects end and fewer new projects start.

The £1.2 million of new contract value consists of four grants. The main two grants are EC funded projects with other partners leading. One of the EC projects, SHAMERTO, started at the end of 2016/17 in Bangladesh and the other will start in 2017/18. We are still waiting to hear back on a few proposals that were submitted in 2016/17.

Total unrestricted funds raised from trusts, charities and major donors in 2016/17 were £32,000 against a target £85,000.

	2014-15	2015-16	2016-17
<b>Restricted Income Raised (£ millions)</b>	2.4m	0.8m	1.2m
<b>Unrestricted Income Raised (£’000s)</b>	151	32	31

To address the continued fundraising challenges, changes are being made at different levels across the organisation. The roles of Board members are being reviewed and staff restructuring took place towards the end of 2016/17 to ensure we are more effective and efficient at raising funds. All fundraising functions have been brought together into one team and there are fewer shared staff roles between Traidcraft plc and Traidcraft Exchange to improve focus and accountability. Overseas teams continue to focus on establishing partnerships with other NGOs in order to access resources through funding consortia. As part of the Strategic Review, we are looking for new sources of funding so that we are more sustainable and less reliant on the traditional funders.

The planned improvements in Traidcraft’s fundraising and relationship management database, Raisers Edge, took place in 2016 to allow improved review of its direct marketing programme and stewardship of supporters and donors.

## TRAIDCRAFT EXCHANGE

### REPORT OF THE TRUSTEES

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#### **FINANCIAL REVIEW**

We have had another successful year financially, making an unrestricted surplus of £68,000 (2016: £46,000) before other recognised gains and losses (£26,000 after).

##### Performance against budget targets:

Despite some challenging circumstances, performance was better than our budget target for the year, due to both an overall increase in income and an overall fall in expenditure. Legacy and consultancy income was 2.5 times higher than target, which outweighed a shortfall versus target in unrestricted funding from major donors and trusts and charities. We made progress delivering activities on current projects with higher restricted income generated (and increased project charitable expenditure) than targeted. This was offset by a disappointing contribution from new projects, with fewer being awarded and starting during the year than we budgeted. We have continued to carefully control expenditure, especially salaries, across all departments. This helped to minimise the impact of our increased overseas office costs (due to exchange rate movements) and restructuring costs that were not in our original budget for 2016/17. Overall, the net surplus has ensured our reserves remain in a healthy position.

##### Performance against previous years:

Total income for the charity grew from £3.0 million to £3.4 million, a 14% increase. The growth was in both donations and legacies and charitable activity income.

	<b>£'000s</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>Incoming resources</b>		3,373	2,978	3,406

Charitable expenditure was 8% up year on year. This was mainly due to increased expenditure on our ongoing international development projects: several of our institutional projects were midway through when traditionally most activities are delivered. There was also an increase in overseas salaries due to the exchange rate fluctuations and extra investment in Policy Unit staffing.

	<b>£'000s</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>Charitable expenditure</b>		2,657	2,461	2,662

We started the year with reserves in a good position and reserves as at March 2017 remain well above the target minimum set by the Board of £584,000.

	<b>£'000s</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>Unrestricted surplus*</b>		187	46	68
<b>Unrestricted reserves - General</b>		731	823	894

*\*before other recognised gains and losses (defined benefit pension scheme and exchange rate movements)*

## TRAIDCRAFT EXCHANGE

### REPORT OF THE TRUSTEES

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#### **RISK MANAGEMENT**

The Board is responsible for Traidcraft's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, but not eliminate, the risk of failure to achieve Traidcraft's objectives. Responsibility for managing the risks has been allocated within the executive team and, where appropriate, actions needed have been built into departmental action plans.

Management, on behalf of the Board, ensures the operation and effectiveness of Traidcraft's system of internal financial controls by the following means:

- **Control environment** – creating an organisational structure with clearly defined responsibilities for internal financial control.
- **Operating controls** – each department maintains financial controls and procedures appropriate to its own business environment conforming to overall standards and guidelines.
- **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, and financial performance against budget is monitored, with minutes and monthly management accounts tabled at Board meetings.

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 implications 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.

## **TRAIDCRAFT EXCHANGE**

### **REPORT OF THE TRUSTEES**

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#### **RESERVES POLICY**

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 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.

#### **GOING CONCERN**

After making enquiries, the trustees have a reasonable expectation that Traidcraft Exchange 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 pressure on fundraising, 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. When reviewing their decision, they have taken the following factors into account:

- Traidcraft Exchange prepares an annual cashflow forecast as part of its budgeting process. The cashflow forecast is monitored on a monthly basis. Cashflow projections for the year following approval of these financial statements show that the Charity will have adequate funds to meet its liabilities as they fall due.
- As at 31 March 2017 Traidcraft Exchange has unrestricted reserves (excluding fixed asset and investments), of £830,000. Our reserves policy sets the target minimum reserve level at £584,000. The trustees feel the Charity has adequate reserves at the year end to support its ongoing operations and this view is supported by the cash flow projections.
- Traidcraft Exchange has set an achievable budget for the year 2017/18 and expects to post a small deficit which would reduce reserves to £734,000. This is above our minimum target level for reserves.
- Traidcraft Exchange has not encountered any difficulty in paying its trade creditors within agreed payment terms.

## TRAIDCRAFT EXCHANGE

### REPORT OF THE TRUSTEES

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#### **PLANS FOR FUTURE PERIODS**

Following the review of the strategic direction of Traidcraft Exchange in 2015/16, work has been done in 2016/17 on developing the new strategy for the next five years. In the new strategy, we will:

- Continue to focus on trade and how we can help people living in poverty to earn more from their hard work.
- Focus more on women, who are often excluded from the most profitable activities in trade.
- Make sure that the activities we support are environmentally sustainable.
- Continue to make our voice heard and argue for a better deal for the poorest and most vulnerable people who trade with us.

Changes have already taken place as part of the restructuring and strategic review; a number of roles have been adjusted, new roles have been created and teams have merged. During 2017/18, we need to finalise the strategic review process, get the new structures embedded and streamlined and start to implement the new strategy.

Our future priorities remain to deliver growth in our scale and impact through the implementation and development of our project and policy programmes and effective fundraising. Much will depend on Traidcraft's ability to secure new programme funding and public donations. Therefore fundraising will continue to be a priority for the next 18 months. Planned work over the next year will include:

- The Policy and Campaigning teams will be lobbying for post-Brexit trade, development and agriculture policy to take into account the needs of developing country producers and will look for opportunities to support our campaigners to raise this.
- We will be working to strengthen and extend the remit of the Supermarkets Watchdog.
- As well as finding premises and opening an office, the India Company will aim to increase its consultancy income 3.5 times year on year by following up on various initiatives underway and exploring new opportunities. We will recruit a Head of Business Development early in the year to grow the Company.
- The India programme will complete and consolidate the Going Green project plans and activities, with emphasis on promotion of Green technologies and marketing initiatives for green products as well as continuing work on the cotton project. Besides this, we will assess and take a decision for further continuation of the India liaison office, as the renewal of license will be due in June 2018.
- The Bangladesh programme will be developing agricultural value chains and women's entrepreneurship as well and continuing to work in jute and small tea growing. Environmental sustainability will remain a cross cutting issue in all our projects.
- The East Africa programme will be downsizing in 2017 due to funding constraints. The FIVE project in Kenya will finish in September/October 2017. The team is looking to develop new projects in the new strategic areas of trade and women's economic empowerment, and trade and sustainable environmental development in Kenya, Tanzania and possibly Uganda.
- In Senegal, we need to focus on catching up on the delivery of activities as the project is a few months behind schedule. We will also clarify plans for the product development of the juice in the UK.
- The Catalyst Programme will be used in 2017/18 to explore new areas of the strategy (environment and women's economic empowerment) and to engage new donors, particularly major donors and corporates. It will be used to test new innovative models which will enable us to look at securing wider support to take new approaches to scale.

## **TRAIDCRAFT EXCHANGE**

### **REPORT OF THE TRUSTEES**

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## **STRUCTURES, GOVERNANCE AND MANAGEMENT**

Traidcraft Exchange is a company limited by guarantee governed by its Memorandum and Articles of Association (updated 2011). It is registered as a charity with the Charity Commission.

### **ORGANISATIONAL STRUCTURE**

Traidcraft works through three closely-linked entities, sharing the same values and mission. Senior management and certain other staff roles work across Traidcraft Exchange and the trading company Traidcraft plc. The two organisations have the same non-executive directors/trustees. However, the organisations are financially independent and these financial statements only reflect the Charity, Traidcraft Exchange. Both these operational arms work within the oversight and guidance of the Traidcraft Foundation.

The Traidcraft Foundation is the Founder Member of Traidcraft Exchange, and appoints the trustees of Traidcraft Exchange. It also holds the Guardian Share in Traidcraft plc, which gives a range of rights including a veto over appointments to the Board of Traidcraft plc.

### **BOARD STRUCTURE**

Traidcraft's Board is responsible for approving Traidcraft's policy and strategy. It meets regularly during the year and has a schedule of matters specifically reserved to it for decision. The management team supplies the Board with appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the Company Secretary and independent professionals at the Charity's expense. Training is available for new directors and other directors as necessary.

There were four sub-committees of the Board: the Nominations Committee, the Finance Committee, the Audit Committee and the Remuneration Committee.

All directors are subject to re-election at least every three years, except the Foundation Director (who is appointed by the Traidcraft Foundation for a three year term).

The Board of Traidcraft Exchange consists of seven non-executive directors, together with the Chief Executive. The other executive directors and the Staff Director attend all meetings, but are not trustees and therefore do not vote.

The Chief Executive is appointed by the directors to manage the day-to-day operations of the charity with the assistance of the other Executive Directors. To facilitate effective operations, the Chief Executive has delegated authority for operational matters.

Directors and trustees in office during the year are listed on page 1. Meeting attendance records and shareholdings in Traidcraft plc and included within the Strategic report of Traidcraft plc.

Further details about how the governance and committees operate are published within the 'About Us' sections of our website [www.traidcraft.co.uk](http://www.traidcraft.co.uk).

### **Governance developments in the year**

Traidcraft has always aspired to a high standard of corporate governance. Being made up of both an unlisted plc and a charity, we have not been bound by Stock Exchange rules but we have voluntarily

## **TRAIDCRAFT EXCHANGE**

### **REPORT OF THE TRUSTEES**

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adopted principles contained in the Combined Code required for listed PLCs alongside those required by the Charity Commission. During the year the Board reviewed these principles and made some pragmatic adaptations, given that the organisation is below the scale, complexity and resources of most listed companies and large charities.

Because the role of Chair of the Finance Committee was vacated when Andy Biggs was appointed to an interim executive role and a non-executive replacement has not yet been appointed, it was agreed to ensure that financial matters were considered fully by the entire Board. Finance Committee work was adopted into the main board agenda during the year and the Finance Committee process was suspended, pending the appointment of a new committee chair.

The audit of the financial accounts was re-tendered in the year, in recognition that the incumbent auditor RSM UK Audit LLP had served for several years. The Audit Committee and the Board reviewed responses to the tender and based on service quality, value for money and knowledge of Traidcraft, UNW LLP were selected and a resolution to appoint UNW LLP as auditors from the year commencing 1 April 2017 will be proposed to the members of the company at the Annual General Meeting.

The Board reviews the requirement for the Risk Register, covering all aspects of the Company's business and its operations, including management information systems. During the year, the Board noted management's commitment to focus on the key risks discussed in this strategic report and a full update of the risk register was not deemed necessary until the new CEO's strategic review was complete. The last full formal review of the Register was undertaken in November 2014.

#### **APPOINTMENT AND TRAINING OF DIRECTORS**

Traidcraft has a Nominations Committee which identifies and proposes candidates for the Board of Traidcraft Exchange. Recruitment and selection of new Board members is by a combination of external advertisement and networking. Candidates are asked to provide written expression of interest and, if shortlisted, are interviewed by members of the Nominations Committee. Following recommendation by the Nominations Committee and approval by the Traidcraft Foundation, successful candidates are co-opted onto the Board ahead of being subject to re-election by the shareholders of Traidcraft plc at the next Annual General Meeting.

Board members receive letters of appointment, including a job description and statement of expectations. Induction packs are provided to new directors and induction meetings are arranged to cover key responsibilities, learn about the work of the organisation and meet key employees. Some ongoing training is included within the normal pattern of meetings, and ongoing training needs are identified and met at the charity's expense, as necessary.

#### **PAY POLICY**

The Remuneration Committee, made up of three non-executive directors, has responsibility for making recommendations to the Board on Traidcraft's general policy on executive directors' remuneration and determines the specific package for individual executive directors. It carries out these aspects of Traidcraft's remuneration policy on behalf of the Board.

As well as considering conditions in Traidcraft as a whole, it uses external data to set the context for its deliberations and takes into account Traidcraft's position relative to other organisations and is aware of what these are paying. It looks particularly closely at other charitable organisations in assessing appropriate levels of remuneration for Traidcraft executives. The policy of the Board is to provide executive remuneration packages that will attract, motivate and retain directors of the calibre necessary to maintain Traidcraft's position and to ensure that it meets its various objectives. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary.

## **TRAIDCRAFT EXCHANGE**

### **REPORT OF THE TRUSTEES**

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Non-Executive Trustees of Traidcraft Exchange receive no payment in relation to their role as Trustees of the Charity. Travelling and other expenses are reimbursed. Other than the Chief Executives, no trustees received remuneration from the Charity during the year.

For all other staff, including senior staff, salary setting is determined by the Executive Team, following input from HR. When setting appropriate salaries for individual roles the Executive Team will consider the internal relativities and external data in order to make the reward as fair as possible in the Traidcraft context. To set base salaries for staff, internal relativities are reviewed on an annual basis, whilst a review of external salaries will normally be conducted every three years.

## **TRAIDCRAFT EXCHANGE**

### **REPORT OF THE TRUSTEES**

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#### **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 (who are also directors of Traidcraft Exchange for the purpose of company law) are responsible 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).

Company 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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Company's Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS**

In so far as the trustees are aware at the time of approving our financial statements:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **AUDITORS**

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

The report of the Trustees was approved on 24<sup>th</sup> July 2017 and signed on their behalf by

**Ram Gidoomal, Chair**

## TRADCRAFT EXCHANGE

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRADCRAFT EXCHANGE

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#### **Opinion on financial statements**

We have audited the financial statements of Traidcraft Exchange (the 'charitable company') for the year ended 31 March 2017 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the 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 charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006.

#### **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>

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Report and the incorporated Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Trustees' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Trustees' Report and the incorporated Strategic Report,

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; 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 15, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and

## **TRAIDCRAFT EXCHANGE**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAIDCRAFT EXCHANGE**

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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.

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

## TRAIDCRAFT EXCHANGE

### STATEMENT OF FINANCIAL ACTIVITIES AND INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2017

	Note	Unrestricted Funds £000	Restricted Funds £000	Total 2017 £000	Total 2016 £000
<b>INCOME FROM:</b>					
<b>Donations and legacies</b>					
Donations from individuals	2	1,158	23	1,181	1,122
Legacies		192	-	192	66
Trusts and charities	2	31	-	31	28
<b>Investments</b>		1	-	1	4
<b>Charitable activity:</b>					
Grants from institutional sources	2	2	1,941	1,943	1,746
Other income	3	48	7	55	10
Other finance income	15	3	-	3	2
<b>Total Income</b>		<b>1,435</b>	<b>1,971</b>	<b>3,406</b>	<b>2,978</b>
<b>EXPENDITURE ON:</b>					
<b>Raising funds</b>					
Voluntary income	4	305	-	305	288
Institutional sources	4	256	-	256	206
<b>Charitable activities</b>					
Development programmes	5	453	1,826	2,279	2,088
Policy and campaigning	5	353	30	383	373
<b>Total Expenditure</b>	6	<b>1,367</b>	<b>1,856</b>	<b>3,223</b>	<b>2,955</b>
<b>Net income</b>		<b>68</b>	<b>115</b>	<b>183</b>	<b>23</b>
<b>Other recognised gains and losses</b>					
Realised gains		4	-	4	24
Unrealised gains		3	-	3	12
Actuarial (losses) on defined benefit pension scheme	15	(49)	-	(49)	(48)
<b>Net movement in funds</b>		<b>26</b>	<b>115</b>	<b>141</b>	<b>(11)</b>
Fund balances brought forward		880	51	931	920
<b>Fund balances carried forward at 31 March 2017</b>	17	<b>906</b>	<b>166</b>	<b>1,072</b>	<b>931</b>

There are no gains or losses during the year other than the net movement in funds of £141,000. All income and expenditure relates to continuing operations. The notes on pages 21 to 41 form part of these Financial Statements.

## TRAIDCRAFT EXCHANGE

BALANCE SHEET AT 31 MARCH 2017

Company Registration Number: 03031674, Charity Registration Number 1048752.

	Note	2017 £000	2017 £000	2016 £000	2016 £000
<b>Fixed assets</b>					
Tangible	11		25		25
Investments	12		39		37
			<u>64</u>		<u>62</u>
<b>Current assets</b>					
Debtors	13	349		173	
Cash at bank and in hand		984		1,325	
		<u>1,333</u>		<u>1,498</u>	
<b>Creditors: amounts falling due within one year</b>					
Creditors	14	325		629	
<b>Net current assets</b>			<u>1,008</u>		<u>869</u>
<b>Total assets less current liabilities</b>			<u>1,072</u>		<u>931</u>
<b>Defined benefit pension scheme liability</b>	15		-		-
			<u>1,072</u>		<u>931</u>
<b>Funds and reserves</b>					
Restricted funds	17		166		51
Unrestricted funds – Designated	17	12		57	
Unrestricted funds – General	17	894		823	
Unrestricted funds – Pension Reserve	17	-		-	
Unrestricted – Total General			<u>906</u>		<u>880</u>
<b>Total funds and reserves</b>			<u>1,072</u>		<u>931</u>

The notes on pages 21 to 41 form part of these Financial Statements.

The financial statements were approved by the Trustees and authorised for issue on 24<sup>th</sup> July 2017 and are signed on their behalf by:

**Ram Gidoomal**  
Chair

## TRAIDCRAFT EXCHANGE

### STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

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	Note	2017 £000	2017 £000	2016 £000	2016 £000
<b>Cash flows from operating activities:</b>					
Net cash used in operating activities	18		(337)		(85)
<b>Cash flows from investing activities:</b>					
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			1,325		1,379
Change in cash and cash equivalents due to exchange rate movements			7		36
Cash and cash equivalents at end of year			<u>984</u>		<u>1,325</u>

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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### 1 ACCOUNTING POLICIES

#### BASIS OF PREPARATION

The 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 Companies Act 2006.

Traidcraft Exchange 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.

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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### 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 & 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
Motor vehicles	20% 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.

### 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.

## **TRAIDCRAFT EXCHANGE**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2017

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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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 2 INCOMING RESOURCES

	2017 Unrestricted Funds £000	2017 Restricted Funds £000	2017 Total Funds £000	2016 Total Funds £000
<b>Donations from Individuals</b>				
Regular giving	304	-	304	322
Direct mail appeals	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

	2017 £000	2016 £000
<b>Split of income</b>		
UK	3,078	2,622
Rest of World	328	356
	3,406	2,978

	2017 £000 Restricted	2016 £000 Restricted
<b>Grants from Institutional Sources</b>		
<u>Government Bodies and Multilateral</u>		
Department for International Development	293	312
European Union	294	336
ICCO	-	7
<u>Trusts &amp; 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.

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 2 INCOMING RESOURCES (CONTINUED)

	<b>2017</b> <b>£000</b>	2016 £000
	Unrestricted	Unrestricted
<b>Trusts and Charities</b>		
Grants of £10,000 or more	10	10
Grants between £1,000 and £10,000	17	15
Grants under £1,000	4	3
	<u>31</u>	<u>28</u>

### 3 OTHER INCOME

	<b>2017</b> <b>Unrestricted</b> <b>Funds</b> <b>£000</b>	<b>2017</b> <b>Restricted</b> <b>Funds</b> <b>£000</b>	<b>2017</b> <b>Total</b> <b>Funds</b> <b>£000</b>	2016 Total Funds £000
Miscellaneous	-	7	7	10
Consultancy income	48	-	48	-
	<u>48</u>	<u>7</u>	<u>55</u>	<u>10</u>

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

### 4 COSTS OF GENERATING FUNDS

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

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 EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 5 CHARITABLE ACTIVITIES

	2017 Unrestricted Funds £000	2017 Restricted Funds £000	2017 Total Funds £000	2016 Total Funds £000
<b>Development Programmes</b>				
Direct salaries	274	206	480	433
Travel and accommodation	1	112	113	89
Direct programme costs	178	1,355	1,533	1,425
Overhead allocation	-	153	153	141
	453	1,826	2,279	2,088
<b>Policy Unit and Campaigning</b>				
Direct salaries	201	27	228	177
Travel and accommodation	5	-	5	9
Direct programme costs	28	3	31	59
Overhead allocation	119	-	119	128
	353	30	383	373
	806	1,856	2,662	2,461

### 6 RESOURCES EXPENDED

	Direct salaries £000	Travel & accomm. £000	Direct programme costs £000	Overhead allocation £000	Total 2017 £000	Total 2016 £000
<b>Costs of generating funds</b>						
Voluntary income	119	-	115	71	305	288
Institutional sources	161	6	11	78	256	206
<b>Charitable activities</b>						
Development programmes	480	113	1,533	153	2,279	2,088
Policy and campaigning	228	5	31	119	383	373
<b>Total Resources Expended</b>	988	124	1,690	421	3,223	2,955

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 6 RESOURCES EXPENDED (CONTINUED)

Total resources expended include the following amounts:

	<b>2017</b>	2016
	<b>£000</b>	£000
Depreciation	<b>12</b>	15
Operating leases		
- land and buildings	<b>60</b>	49
- other	<b>7</b>	7
Auditor's remuneration		
- as auditors	<b>7</b>	7
- for other services (Grant Audits)	<b>2</b>	16

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

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

### 7 DIRECT PROGRAMME COSTS

	<b>2017</b>	2016
	<b>£000</b>	£000
Transfers to local partners	<b>1,140</b>	1,008
Programme running costs	<b>437</b>	464
Consultants	<b>25</b>	51
In-country management costs	<b>88</b>	59
	<b>1,690</b>	1,582
Reallocated to:		
Charitable activities	<b>1,564</b>	1,484
Costs of generating funds	<b>126</b>	98
	<b>1,690</b>	1,582

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 8 ANALYSIS OF OVERHEAD ALLOCATION

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

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 EXCHANGE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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#### 9 STAFF COSTS AND RELATED EXPENDITURE

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

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:

	<b>2017</b>	2016
	<b>No.</b>	No.
Development programmes and Policy Unit	<b>30</b>	33
Fundraising	<b>8</b>	7
Management and administration	<b>5</b>	5
	<hr/>	<hr/>
	<b>43</b>	45
	<hr/> <hr/>	<hr/> <hr/>

#### 10 TRANSACTIONS WITH TRUSTEES

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

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 11 TANGIBLE FIXED ASSETS

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

### 12 INVESTMENTS

	2017 £000	2016 £000
At 1 April 2016	37	29
Additions in the year	8	5
Disposals	-	-
Change in valuation	(6)	3
Market value at 31 March 2017	<u>39</u>	<u>37</u>
Cost	<u>-</u>	<u>-</u>

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.

### 13 DEBTORS

	2017 £000	2016 £000
VAT receivable	11	6
Accrued income	303	130
Traidcraft plc	-	1
Other debtors	35	36
	<u>349</u>	<u>173</u>

## TRAIDCRAFT EXCHANGE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

#### 14 CREDITORS: amounts falling due within one year

	2017 £000	2016 £000
Supporters loans	3	3
Trade creditors	13	21
Accrued expenses and deferred income	279	600
Traidcraft plc	27	-
Traidcraft Foundation	3	3
Other creditors	-	2
	<u>325</u>	<u>629</u>
<b>Deferred income:</b>	<b>2017 £000</b>	<b>2016 £000</b>
<b>Brought forward</b>	<b>462</b>	<b>529</b>
<b>Deferred</b>	<b>90</b>	<b>413</b>
<b>Released</b>	<b>(421)</b>	<b>(480)</b>
<b>Carried forward</b>	<u><b>131</b></u>	<u><b>462</b></u>

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.

#### 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.

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 15 PENSIONS (CONTINUED)

#### *Key assumptions*

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

#### *Mortality assumptions*

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

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

#### *Amounts recognised in the Statement of Financial Activities:*

	2017 £000	2016 £000
Net interest on defined benefit asset:	<b>63</b>	<b>(32)</b>

#### *Amounts taken to Statement of Financial Activities:*

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

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

	2017 £000	2016 £000
Present value of defined benefit obligations	<b>(1610)</b>	(1,335)
Fair value of plan assets	<b>1,610</b>	1,335
Deficit in the scheme	<b>-</b>	<b>-</b>

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.

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 15 PENSIONS (CONTINUED)

*Movement in the present value of the defined benefit obligations:*

	2017 £000	2016 £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>(1,610)</u>	<u>(1,335)</u>

*Movement in the fair value of scheme assets:*

	2017 £000	2016 £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>1,610</u>	<u>1,335</u>

*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	-	-
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 (2016 £19,000 loss).

#### **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.

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 16 TRANSACTIONS WITH RELATED PARTIES

Controlling Party: The Charity is under the control of the Traidcraft Foundation (charity number 294953), 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.

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
3. Trustees – three trustees donated £2,459 (2016: £320) during the year.

Transactions during the year were as follows:

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Traidcraft plc</b>		
Purchase of goods and services (e.g. rent and building costs)	<b>166</b>	171
Sale of services	<b>5</b>	5
<b>Balances due to related parties at 31 March 2017</b>		
Traidcraft Foundation	<b>3</b>	3
Traidcraft plc	<b>27</b>	-
<b>Balances due from related parties at 31 March 2017</b>		
Traidcraft plc	<b>-</b>	1

### 17 ANALYSIS OF FUNDS

	Restricted	Unrestricted	Total
	2017	2017	2017
	£000	£000	£000
Fixed assets	-	<b>25</b>	<b>25</b>
Investments	-	<b>39</b>	<b>39</b>
Debtors	<b>164</b>	<b>185</b>	<b>349</b>
Cash at bank and in hand	<b>177</b>	<b>807</b>	<b>984</b>
Creditors falling due within one year	<b>(175)</b>	<b>(150)</b>	<b>(325)</b>
Net assets	<b>166</b>	<b>906</b>	<b>1,072</b>

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 20](#).

#### Unrestricted Funds (£000)

	B/fwd	Income	Expenditure	Other gains	Transfers	C/fwd
Unrestricted funds	823	1,435	1,364	-	-	894
Designated funds	57	-	45	-	-	12
	<b>880</b>	<b>1,435</b>	<b>1,409</b>	<b>-</b>	<b>-</b>	<b>906</b>

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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### 18 CASH FLOWS FROM OPERATING ACTIVITIES

	<b>2017</b>	2016
	<b>£000</b>	£000
<b>Net income for the year</b>	<b>183</b>	23
<b>Adjustments for:</b>		
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)
<b>Net cash used in operating activities</b>	<b>(337)</b>	(85)

### 19 COMMITMENTS UNDER OPERATING LEASES

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

	<b>2017</b>	2016
	<b>£000</b>	£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
	<b>49</b>	55

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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### 20 RESTRICTED FUNDS

The table on page 40 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).

## TRAIDCRAFT EXCHANGE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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#### 20 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 'EqualTEA' 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.

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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### 20 RESTRICTED FUNDS (CONTINUED)

#### 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).

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**.

## TRAIDCRAFT EXCHANGE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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#### 20 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 EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 20 RESTRICTED FUNDS (CONTINUED)

	<u>Restricted Fund B/F (£)</u>	<u>Income (£)</u>	<u>Expenditure (£)</u>	<u>Restricted Fund C/F (£)</u>
<b><u>SOUTH ASIA PROGRAMME</u></b>				
<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 &amp; India</u>				
Eco Jute	-	26,639	26,639	-
EqualiTea	8,912	9,867	18,779	-
<b><u>EAST AFRICA PROGRAMME</u></b>				
<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	-
<b><u>OTHER PROGRAMMES</u></b>				
ACRE	-	98,438	98,438	-
Catalyst	-	150,000	20,304	129,696
Producer Support	3,881	56,600	55,189	5,292
<b>Total International Programmes</b>	<b>50,897</b>	<b>1,924,850</b>	<b>1,826,089</b>	<b>149,658</b>
<b><u>POLICY AND CAMPAIGNING PROGRAMME</u></b>				
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	-
<b>Total Policy and Campaigning Programme</b>	<b>-</b>	<b>45,986</b>	<b>30,173</b>	<b>15,813</b>
<b>Total 2017</b>	<b>50,897</b>	<b>1,970,836</b>	<b>1,856,262</b>	<b>165,471</b>
<b>Total 2016</b>	<b>61,788</b>	<b>1,763,586</b>	<b>1,774,477</b>	<b>50,897</b>

# TRAIDCRAFT EXCHANGE

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

### 21 STATEMENT OF FINANCIAL ACTIVITIES COMPARATIVES FOR 2016

	Unrestricted Funds £000	Restricted Funds £000	Total 2016 £000
<b>INCOME FROM:</b>			
<b>Donations and legacies</b>			
Donations from individuals	1,117	5	1,122
Legacies	66	-	66
Trusts and charities	28	-	28
<b>Investments</b>	<b>4</b>	<b>-</b>	<b>4</b>
<b>Charitable activity:</b>			
Grants from institutional sources	-	1,746	1,746
Other income	9	1	10
Other finance income	2	-	2
<b>Total Income</b>	<b>1,226</b>	<b>1,752</b>	<b>2,978</b>
<b>EXPENDITURE ON:</b>			
<b>Raising funds</b>			
Voluntary income	288	-	288
Institutional sources	206	-	206
<b>Charitable activities</b>			
International programmes	373	1,715	2,088
Policy Unit and campaigning	313	60	373
<b>Total Expenditure</b>	<b>1,180</b>	<b>1,775</b>	<b>2,955</b>
<b>Net income/(expenditure)</b>	<b>46</b>	<b>(23)</b>	<b>23</b>
<b>Other recognised gains and losses</b>			
Realised (losses)/gains	12	12	24
Unrealised gains/(losses)	12	-	12
Actuarial (losses) on defined benefit pension scheme	(48)	-	(48)
<b>Net movement in funds</b>	<b>22</b>	<b>(11)</b>	<b>11</b>
Fund balances brought forward	858	62	920
<b>Fund balances carried forward at 31 March 2016</b>	<b>880</b>	<b>51</b>	<b>931</b>