
***IMPACT AND
PERFORMANCE REPORT
FOR TRAIDCRAFT 2012-13***

*INCORPORATING THE
FINANCIAL STATEMENTS
OF
TRAIDCRAFT PLC*

*FOR THE YEAR ENDED
31 MARCH 2013*

Company number
01333367*MERGEFORMAT



TRAIDCRAFT BOARD MEMBERS

Non-executive Directors of Traidcraft plc and Trustees of Traidcraft Exchange

Ram Gidoomal *Chair*
Andy Biggs (*appointed April 2013*)
Jenny Borden
David Bowman *Chair, Audit Committee*
Liz Cotton *Chair, Remuneration Committee*
Jayne Mayled
Professor Geoff Moore *Foundation Director*
David Neale (*appointed July 2012*)
Margaret Sentamu *Senior Independent Director*
Alice Ward (*resigned September 2012*)

Executive Directors (*directors of Traidcraft plc and attend Board meetings of Traidcraft Exchange*)

Mags Vaughan *Business Director & Acting Chief Executive wef April 2013. Appointed Chief Executive July 2013 (appointed a trustee of Traidcraft Exchange wef April 2013)*
Paul Chandler *Chief Executive (also a trustee of Traidcraft Exchange - resigned March 2013)*
Larry Bush *Marketing Director*
Simon Grant *Finance Director and Company Secretary*
Joe Osman *Sourcing Director*
Paul Spray *Director of Policy and Programmes (not a director of Traidcraft plc)*

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

Richard Lofthouse (*appointed February 2013*)
Becky Allon-Smith (*resigned September 2012*)

TRAIDCRAFT FOUNDATION TRUSTEES

Stephen Timms MP (*Chair from October 2012*)
Reg Bailey (*Chair - resigned October 2012*)
Revd Dr Richard Higginson
Rosemary Kempson (*appointed September 2012*)
Dr Margaret Masson (*resigned October 2012*)
Revd Professor Michael Northcott
David Nussbaum (*appointed April 2013*)
Liz Reynolds

PRINCIPAL PROFESSIONAL ADVISERS

Auditors:	Baker Tilly UK Audit LLP
Bankers:	HSBC Bank plc
Principal legal advisers:	Muckle LLP
Registrar:	Capita Registrars Ltd
Matched bargain facility:	Ethex

TRAIDCRAFT

ANNUAL IMPACT AND PERFORMANCE REPORT 2013



Traidcraft plc - a company registered in England and limited by shares, number 01333367
Traidcraft Exchange Ltd – a company registered in England and limited by guarantee,
number 03031674, registered charity number 1048752
Registered office: Kingsway, Gateshead, NE11 0NE, UK Tel: +44 (0)191 4910591



CONTENTS

Because the constituent parts of Traidcraft work collaboratively towards the same mission goals, we believe it is most useful to report on our progress and impact across the organisation as a whole. We are therefore incorporating into this annual report and accounts of Traidcraft plc a summary of the financial performance of Traidcraft Exchange, and an overall Impact Report to demonstrate our conviction that organisations should be judged not simply on financial performance but on the totality of their economic, social and environmental impacts.

	PAGES
A. Overview	5 - 6
B. Structures and Principal Activities	7 - 9
Traidcraft plc	7 - 8
Traidcraft Exchange	8
Traidcraft Foundation	9
C. Chair's Report on Traidcraft's Overall Performance	10 - 11
D. Directors' Report on Traidcraft plc's Overall Performance	12 - 14
E. Trustees' Report on Traidcraft Exchange's Overall Performance	15 - 18
F. Impact Report	19 - 47
Direct Impact on Beneficiaries	20 - 32
Innovation and Influence	33 - 36
Mobilisation of UK Supporters	36 - 39
Environment	39 - 46
Staff	46 - 47
G. Traidcraft plc Financial Statements	48 - 83
Corporate Governance Principles	48
Board Structures	48 - 51
Accountability and Audit	51 - 52
Internal Control and Risk Management	53
Remuneration Report	54 - 55



Political and Charitable Contributions	55
Shareholders	56
Creditors Payments	57
Directors' Report	58 - 59
Auditors' Report	60 - 61
Principal Accounting Policies	62 - 64
Profit and Loss Account	65
Statement of Total Recognised Gains and Losses	66
Balance Sheet	67
Cash Flow Statement	68
Notes to the Financial Statements	69 - 83



A. OVERVIEW

Traidcraft is a Christian organisation dedicated to fighting poverty through trade since its foundation in 1979. Best known as a pioneer of the fair trade movement in the UK, our activities are in fact much wider, spanning the fields of trade, development and trade justice.

Traidcraft believes that to achieve change we need to combine a range of activities: trading directly with producers, scaling up the learning from that activity (with a wider range of beneficiaries and a focus on local markets as well as international trade) and addressing the need for wider structural and policy change through modelling good business practices and mobilising consumers to influence government and corporate behaviour.

To carry out these related activities we work through two financially and legally distinct entities - a trading company and a development charity - whose complementary activities combine to make our mission effective. Over the years we have demonstrated our ability to have impact and influence that far exceeds the scale of our activities, and have established ourselves as a global leader in making trade work for the poor.

The strategic framework within which we intend to operate over the period 2011-2020 is shown in the table below:

OUR VISION	<i>A world freed from the scandal of poverty, where trade is just and people and communities can flourish</i>			
OUR GOALS	Improved and sustainable incomes for poor people	Greater dignity and opportunity for poor people	Policies and practices that reflect needs of poor people	
OUR MISSION	<i>Traidcraft fights poverty through trade, pioneering, practising and promoting approaches to trade that help poor people in the developing world transform their lives</i>			
OUR ACTIVITIES	Traidcraft achieves sustainable impacts on marginalised producers through our trading and support activities	Traidcraft pioneers and innovates approaches to fair and ethical trade	Traidcraft influences governments and businesses to have more positive impacts on poor people	Traidcraft enables more people to support trade justice and environmental responsibility as our customers and supporters

An exploration of these main themes and our more specific objectives for the period 2012 - 2014 can be found in the booklet “From Fair to Flourishing”*

* www.traidcraft.co.uk/fairtoflourishing



In carrying out our work we are guided by Traidcraft's Foundation Principles. These are briefly summarised below, and may be found in full on our website[†]:

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

Traidcraft works with and for people of all faiths and none, recognising that as a Christian organisation we have a particular responsibility to mobilise the Christian community to work for justice in trade, and seeking to reflect Christian values in our principles and practices.

We see fair trade as a practical tool to demonstrate how trade can be carried out in ways that benefit small-scale producers, and as a means of encouraging companies to improve their sourcing practices by providing a standard of excellence and enabling consumers to send powerful signals of their desire to see more ethical practices being used. However, we do not limit ourselves to seeking to promote fair trade, and seek to encourage all trading approaches that will have a positive impact on reducing poverty.

[†] www.traidcraft.co.uk/foundationprinciples



B. STRUCTURES AND PRINCIPAL ACTIVITIES

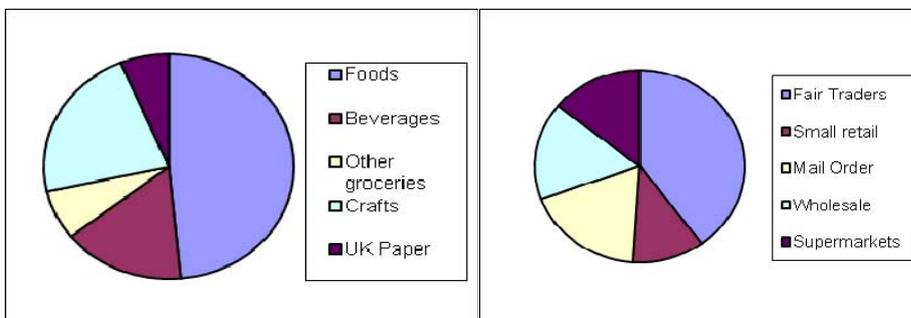
Traidcraft works through three closely-linked entities, sharing the same values and mission. Senior management and certain other staff roles work across Traidcraft plc and Traidcraft Exchange, and the two organisations have the same non-executive directors/trustees. Both these operational arms work within the oversight and guidance of the Traidcraft Foundation.

TRADCRAFT PLC

Traidcraft plc is the largest dedicated fair trade company in the UK, and one of the largest fair trade organisations in the world. In 2013 the sales of Traidcraft plc products, including licenced products of £2.4 million, amounted to £15.2 million. It is a trading company, owned by around 5,300 individual shareholders who have invested their capital in order to deliver social impact rather than to maximise their financial return.

Unlike most commercial companies that sell Fairtrade-marked products, Traidcraft plc is dedicated to applying fair trade principles across its product range and focuses on sourcing from more marginalized and smaller-scale producer groups. It is notable for its track record in pioneering new approaches and sectors in fair trade.

The company sources a wide range of grocery products (including foods, beverages, charcoal and rubber products) as well as crafts and clothing products. These come from fair trade suppliers in more than 30 countries. Traidcraft also sells a range of UK-sourced greetings cards and recycled tissue products.



Sales by product category (2013)

Sales by channel (2013)

Many of our products are sold through activists, known as Fair Traders, who operate in churches, schools and other locations around the UK. We also sell through small retailers, mail order and webstore customers, and to wholesale distributors. Sales into supermarkets are largely handled in collaboration with licence partners, companies who handle the manufacture and distribution of certain Traidcraft-branded products, whilst Traidcraft sources the ingredients and is responsible for branding and messaging.



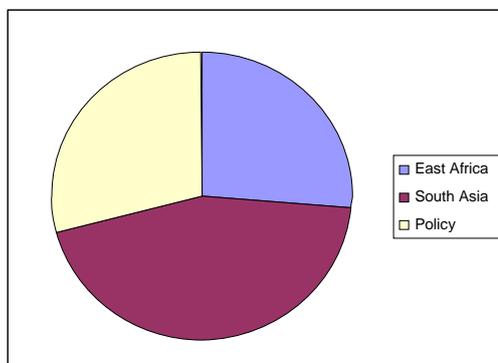
As the most visible part of Traidcraft in the UK, our trading activities help us to find new supporters, mobilising them behind the cause of justice. Our identity as a public limited company allows us to model more ethical ways of doing business, and gives us credibility when challenging corporate practices.

TRAIDCRAFT EXCHANGE

Traidcraft's international development charity builds on the experience of our trading company to promote trade justice and develop approaches to trade that help small-scale farmers and enterprises work their way out of poverty. Alongside support in building sustainable and diversified businesses with better linkages to markets, we help small farmers adapt to climate change and contribute to food security through improved productivity and serving local markets.

In 2013 the total income of Traidcraft Exchange amounted to £3 million. Its work is currently focused on two regions: East Africa and South Asia. Our regional offices in Kenya, India and Bangladesh implement development projects in conjunction with local partner organisations, and seek to build up local expertise in trade and development.

Our policy and advocacy programme influences policy-makers in the UK, European Union and within large companies by promoting trade justice and responsible and ethical corporate practices. We also advocate use of aid for trade funding programmes in ways that will directly benefit smaller-scale producers, and seek to promote the effective development of thinking and practice within the global fair trade movement.



Charitable Spend in £'s by programme (2013)

The work of Traidcraft Exchange is supported by donations from individuals and grants from funding institutions, trusts and foundations. It does not receive funding from Traidcraft plc, which reinvests any profits to grow the scale and impact of its trading activities.



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.

The Foundation uses these powers and the right of consultation on key strategic issues to protect and advance the vision, mission and Christian identity of Traidcraft. By engaging with the Boards and reviewing Traidcraft's impact reports, the Foundation encourages all parts of Traidcraft to carry forward its work in accordance with the Traidcraft Foundation Principles. The more detached perspective of Foundation trustees allows them to challenge the organisation to reflect on new ways of furthering its mission.

A Deed of Mutual Covenant exists between the trustees of the Traidcraft Foundation, Traidcraft Exchange and Traidcraft plc. By this Deed, the parties agree to uphold Traidcraft's Foundation Principles, and set out how they will work in relation to each other.



C. CHAIR'S REPORT ON TRAIDCRAFT'S OVERALL PERFORMANCE

Traidcraft is remarkable. We are more than just a standard Fairtrade company trading in Fairtrade products, because we innovate and we reach marginalised producers. We are more than just a plc, because our charity has projects in the field that reach producers too poor to be able to export. We are more than just an international development agency, because we also campaign to change how multi-national companies trade. "More than just" has become a key phrase in our communications this year. So there is a lot to report.

Traidcraft plc results: Our total sales fell 10%, and that is clearly disappointing especially as it means a 30% fall over the last five years. It is perhaps no surprise given the overall economic climate, and the competition from other Fairtrade products available in supermarkets. But we are putting in place budgets and plans to halt the trend. We are emphasizing the differentiation of the quality of our work and products – as in the new ranges launched in the year, of More than Just Chocolate and More than Just Instant Coffee. We have improved our service to customers - for example making many Grocery products available singly. We have taken soundings from customers about craft ranges, and this will feed through into craft offerings during the next year. We're fortunate to have such committed supporters, and there's work going on to ensure that we try to find more of them. We will continue to be proud of what we are delivering – and will be less bashful about it. Overall our financial position remains robust and solvent, but the challenge is to return to profitability.

Traidcraft Exchange results: I am delighted to report success in campaigning. We have long argued for a supermarkets watchdog; in introducing the Bill to establish one, the minister waved the toy dog that Traidcraft campaigners had given her. Our projects overseas continue to have an impact, with some 900,000 people benefitting. For example, 4,500 Kenyan pastoralists more than doubled the amount of honey they produced, and, at the same time, the project managed to increase the price received for honey, by organising collection centres rather than relying on visiting traders. But it is a challenging environment for our country teams, with political unrest in Bangladesh, and not everything has gone as planned. And, as with sales, the funding environment is increasingly tough. In response, we are developing a new stream of funding through a major donor initiative.

The world is changing, as the big countries of the global South become more important. The Traidcraft message resonates in this new world. When I visited India this year, I was excited by the vibrant Fair Trade Alliance of Kerala, which is run by farmers. I had lively discussions with Shop for Change, who are pioneering fair trade selling to the huge Indian middle class. I met textile producers in Jaipur who are adopting new techniques more friendly to the environment and all with the help of Traidcraft.

Finally, on behalf of the Board, I would like to express our gratitude to Paul Chandler who stepped down as CEO in March 2013 after 12 years. He transformed Traidcraft, not least in seeing how much more effective we could be by bringing closer together Traidcraft plc and the charity. I am pleased to say that Mags Vaughan has been appointed Chief Executive wef July 2013 after nine years with Traidcraft, first as Operations Director, then Business Director. Retiring at the next AGM are three long serving non-executive directors; David Bowman, Geoff Moore and Jayne Mayled. We are grateful to the valuable contribution they have all made.



This year's Report and Accounts follows the same format as last year and seeks to integrate assessment of our financial results and social impacts to a greater extent than in the past, when we produced separate financial and social accounts. We see this as another example of our seeking to pioneer and model best practice, underpinning our strong belief that the performance of any business or charity cannot be measured solely or primarily in financial terms.

This year saw the first Traidcraft Sermon, delivered by Rev Dr. Leslie Griffiths. His powerful words were a challenge to be people of hope. It is a challenge we are determined to meet.

Ram Gidoomal
Chair, 18 July 2013



D. DIRECTORS' REPORT ON THE PERFORMANCE OF TRAIDCRAFT PLC

This has been a difficult year for Traidcraft plc's trading.

- Direct sales declined by £554,000 (4%) to £12.8 million, whilst sales of Traidcraft-branded licensed products by our partner organisations declined by £1.2 million (33%) to £2,446,000. Total sales of Traidcraft-branded products therefore amounted to £15.2 million. Decreased sales were experienced across most of our product range and sales channels, with only our wholesale sales experiencing growth. Licensed product sales declined following large falls in Geobar and charcoal sales. Geobar sales dropped due to a decline in the cereal bar market and increased competition from major brands whilst charcoal sales were hit by the wet summer. The sales trends over the past five years has now been consistently downwards in all channels except Mail Order. We note that as well as reflecting current economic conditions, this decline is partly the result of our having encouraged the entry of more mainstream competitors into fair trade – our overall mission of being a catalyst for achieving widespread change over-riding our more “selfish” commercial interests. We are putting in place strategies aimed at initially stemming our sales decline and then returning to sales growth.

£'000s	2008-09	2009-10	2010-11	2011-12	2012-13
<i>Sales by channel</i>					
Fair Traders	7,884	7,597	6,924	6,479	5,982
Mail Order	2,343	2,527	2,863	2,951	2,768
Small retail	2,028	1,924	1,747	1,653	1,664
Wholesale	3,683	2,844	2,857	2,268	2,445
Supermarkets	5,529	3,366	3,905	3,339	2,131
Educational Tours	244	183	240	288	253
Total	21,711	18,441	18,536	16,978	15,243
<i>Sales by product type</i>					
Non-food consumables	660	865	1,687	1,657	1,288
Crafts & clothing	4,379	4,326	4,909	4,101	4,061
Food & beverages	16,428	13,067	11,700	10,932	9,641
Educational Tours	244	183	240	288	253
Total	21,711	18,441	18,536	16,978	15,243

- Our purchases from fair trade suppliers in the year remained stable at around £3.5 million, despite falling turnover. To remove the effect of timing issues with the receipt of large orders we monitor the three year rolling average of fair trade purchases. The rolling average showed a 6% drop to £3.8 million.
- Gross profit margin decreased from 37.2% to 36.7%. Whilst underlying margins held up well stock provisions were up year on year. In 2012 we had been able to release some provisions which supported the overall margin, excluding this one-off from last year, the overall margin remains stable year on year.



- Although costs remained well under control, the above factors contributed to a pre-tax loss for the year of £306,000, which was at a similar level to the loss recorded in 2011-12 of £333,000.

£'000s	2008-09	2009-10	2010-11	2011-12	2012-13
Pre-tax profit/(loss)	68	90	540	(333)	(306)

- The 2010/11 results included an exceptional profit of £324,000 from the sale of Cafedirect shares which had been held as an investment. Excluding this exceptional item profits were £216,000.

Reflecting on our impact performance (see section F), we note the following headlines:

- It is encouraging that purchases from overseas producers of £3.5 million remain at last year's level. The added value of our purchase payments compared with those which producers would receive on average from commercial trading was sustained at about 9.4% (2012: 9.7%). In addition we were able to raise and allocate funding for producer support activity
- We continued to target our purchasing on more marginalised and smaller-scale suppliers, as a means of improving the quality of our impact, and are pleased by the continuing positive nature of the producer feedback received.

Innovation activity has continued in relation to palm oil. We have continued to focus on our environmental impact and have expanded our impact boundaries to include paper. While our overall carbon footprint did not reduce we have managed to reduce paper and energy usage along with reducing waste production. The Board and senior management team continue to monitor risk closely. We believe the principal risk facing Traidcraft plc remains declining demand for our products which has resulted in losses in the last two years. Tough economic conditions, continued mainstream competition and some supporters feeling that our "job is done" now that Fairtrade products are widely established in the high street remain a drag on sales. We continue to focus on serving our customers better and ensuring excellent customer experience. We are targeting to launch new products, improve our e-commerce offer, further develop our offer of food products in smaller quantities for those who do not wish to buy in bulk, and increase our profile in the Christian community.

We continue to be concerned by developments in the Fairtrade movement with growing pressure from some commercial licensees to weaken Fair Trade standards. We are closely monitoring the situation and trying to use our influence to ensure producers' interests are considered and that Fair Trade continues to be a force for positive development. Part of our marketing activity is to demonstrate more clearly to our customers and supporters how Traidcraft goes beyond standard Fairtrade practices.

We have set a realistic budget for 2013-14 which if achieved will halve our losses and provide a strong base to return to steady growth and a modest profit in 2014-15. Our strategy is to grow our profile and sales within UK churches. Further developments of our e-commerce site, an



improved offering to the convenience store sector and an increase in exports to our fair trade partner Equal Exchange in the United States should see our sales decline arrested.

In terms of our impact on producers, we forecast the overall value of fair trade purchases to decline slightly due to our planned reduction on stock holdings. We are aiming to increase our producer support funding to compensate for the effects on producers of a drop in purchases. We will continue our work in areas of innovation to bring more producers and sectors into fair trade.

Summary Profit and Loss Account	2013	2012
	£000	£000
Turnover	12,797	13,351
Cost of sales/commissions payable	(8,097)	(8,388)
Gross profit	4,700	4,963
Distribution and Administration expenses	(5,427)	(5,827)
Other operating income	428	532
Operating (loss)/profit before exceptional income	(299)	(332)
Net Interest payable and other finance charges	(7)	(1)
	<hr/>	<hr/>
(Loss)/profit before taxation	(306)	(333)

*Signed: The Directors of Traidcraft plc
18 July 2013*



E. TRUSTEES' REPORT ON TRAIDCRAFT EXCHANGE

A summary of financial performance is attached on page 18. The combined Impact Report for Traidcraft Exchange and Traidcraft plc may be found in section F of this document, and provides good insights into the nature and effectiveness of our work. For Traidcraft Exchange, the main headlines from the year may be summarised as follows:

- The number of beneficiaries targeted by current overseas projects grew slightly year on year, from 893,000 to 904,000. As several projects are at an early stage of implementation we estimate approximately 554,000 beneficiaries are actually being reached. Others will benefit indirectly from our work within particular sectors and our overarching policy and campaigning work.
- Total income for the charity dropped from £4.15 million to £3.03 million, a 27% decrease. The drop was due to a combination of a reduction in donations from the general public, lower legacy income following receipt of some large legacies last year, and lower project activity.

£'000s	2008-09	2009-10	2010-11	2011-12	2012-13
Incoming resources	3,187	3,570	3,465	4,148	3,028

- The level of donations from the general public, net of costs, dropped considerably with both general donations reducing and legacy income returning to its historic level after we received several large legacies last year. The cost: income ratio for our public fundraising reduced from 1: 6.2 to 1: 4.7 (1: 4.5 if legacies are excluded, down from 1:5.0 in the previous year as public fundraising income dropped whilst costs remained flat). These figures still compare favourably with charity sector averages of 1: 3.0 and 1: 4.0 respectively; but were lower than our target for the year of 1: 5.2.

£'000s	2008-09	2009-10	2010-11	2011-12	2012-13
Donations	1,475	1,428	1,426	1,439	1,221
Legacies	50	11	55	328	67
Total public fundraising income	1,525	1,439	1,481	1,767	1,288

- We also saw a drop of some 9% in the value of our charitable expenditure.

£'000s	2008-09	2009-10	2010-11	2011-12	2012-13
Charitable expenditure	2,759	3,216	2,648	2,976	2,710

- The value of new major grants raised was £1.7 million. This was well below the level achieved in 2011-12 (£2.37 million) and was below our £2.13 million target for the year.

£'000s	2008-09	2009-10	2010-11	2011-12	2012-13
Value of major grants	4,355	1,823	2,547	2,372	1,679



- Our project portfolio has been implemented successfully with most projects on track to achieve their objectives. But a few took longer to implement than expected, contributing to a 30% fall in the drawdown of grants from institutional sources.
- We continued to collaborate with Traidcraft plc on a joint Producer Support and Innovation programme, and this approach is proving successful.
- We started the year with reserves in a healthy position, largely due to a number of generous legacies received last year. Reserves remain above the target minimum set by the Board, despite the small deficit recorded in the year.

£'000s	2008-09	2009-10	2010-11	2011-12	2012-13
Unrestricted surplus/ (deficit)*	(310)	(260)	184	392	(47)
Unrestricted reserves	757	494	553	824	765

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

The principal risks identified by the Board remained the potential for continued decline in the level of restricted and unrestricted donations and a growing need for more “match funding” as institutional donors are tending to fund a lower proportion of the true costs of each project. A large proportion of our grant income still comes from two principal donors, the UK government and the European Commission, although we had success during the year in expanding funding from Comic Relief and Big Lottery. Our institutional income is also “lumpy” – depending on a few big projects. We therefore remain vulnerable both to general cutbacks in aid expenditure, and to fluctuations in success in institutional fundraising. Further the continuing tough economic conditions put a strain on the fundraising from individuals. We are continuing our efforts to diversify our sources of funding and aim to keep reserves at adequate levels to cope with short-term fluctuations in income.

Other risks identified related to project implementation. The three countries we operate in overseas have all suffered from varying degrees of insecurity which can affect project implementation. Our projects are implemented via partner organisations based in country. Part of our role is to help build capacity in these organisations. We have experienced some problems with financial controls in our projects this year. We are in the process of strengthening our internal control procedures and monitoring.

A further risk relates to restrictions introduced by the Indian government which have caused problems with the transfer of funds to and from our partners based in India. We are working with the donors and the Indian Government to try to resolve these issues, though at present a workable solution has not been found. In future all projects based in India will be structured to ensure funds do not have to be transferred from India.

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 fund-raising.



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.



SUMMARY OF TRAIDCRAFT EXCHANGE FINANCIAL RESULTS

For the year ended 31 March 2013

INCOME AND EXPENDITURE ACCOUNT	Unrestricted Funds £000	Restricted Funds £000	Total 2013 £000	Total 2012 £000
INCOMING RESOURCES				
Incoming resources from generated funds:				
Voluntary income				
Donations from individuals	1,182	39	1,221	1,439
Legacies	67	-	67	328
Trusts and charities	67	-	67	17
Investment income	2	-	2	2
Incoming resources from charitable activity:				
Grants from institutional sources	-	1,628	1,628	2,348
Other income	39	4	43	14
Total Incoming Resources	1,357	1,671	3,028	4,148
RESOURCES EXPENDED				
Cost of generating funds	597	-	597	606
Charitable activities	783	1,927	2,710	2,976
Governance and other finance costs	24	-	24	23
Total Resources Expended	1,404	1,927	3,331	3,605
Net (outgoing)/incoming resources before other recognised gains and losses	(47)	(256)	(303)	543
Other recognised gains and losses	187	-	187	(86)
Net (Deficit)/Income for the Year	140	(256)	(116)	457
FUNDS AND RESERVES	2013 £000	2013 £000	2012 £000	2012 £000
Restricted funds		148		404
Unrestricted funds - Designated		30		30
Unrestricted funds – General	765		824	
Unrestricted funds – Pension Reserve	(14)		(213)	
Unrestricted – Total General		751		611
Total funds and reserves		929		1,045

The full audited accounts for Traidcraft Exchange may be found at:

www.traidcraft.co.uk/financialaccounts

Signed: The Trustees of Traidcraft Exchange



F. IMPACT REPORT

The following pages seek to summarise Traidcraft's impact against a range of measures. More detailed reports and a wider range of data are available on our website as supplementary or supporting information, and links to these are referred to in the footnotes. The data for the value of purchases, beneficiary numbers, environmental impact and stakeholder feedback has been independently assessed and approved by an external consultant, and our auditors have checked the consistency of figures with our audited accounts for Traidcraft plc and Traidcraft Exchange.

A summary of our principal quantifiable impact objectives is in the table below:

	2012/13 Target	2012/13 Actual	2013/14 Target	Long-term Target
Project beneficiaries targeted	875,000	900,000	500,000	500,000
Increased charitable spend	£3.4 million	£2.7 million	£3.2 million	15% p.a. growth
New grants raised	£2.13 million	£1.7 million	£2.5 million	£3 million
Value of plc purchases (3 year rolling average)	£3.8 million	£3.8 million	£3.5 million	Growth in line with turnover
Added value of purchases by Traidcraft plc	10%	9.4%	10%	10% above commercial market prices
Producer support funding raised for plc suppliers	£150,000	£40,000	£60,000	£250,000
Proportion purchases from category A/B producers	80%	80% food 89% crafts	80%	80%
Total supporters/ Supporters with multiple connections to Traidcraft	92,000/27,000	82,000/21,000	82,000/21,000	10% per annum growth in both categories



Reduced carbon footprint	-5%	0%	-5%	-5% per annum
Staff survey rating	7.5	7.2	7.25	Minimum 7.0; above 7.5

It can be seen that we have not managed to achieve the growth that we had hoped towards some of the long-term targets set in 2010. But that should not be a surprise - the targets were set in a brighter economic environment, and will need revision. The big and welcome exception is the number of beneficiaries, where we have a number of projects which have an impact not just on the people that are directly working with the project, but on a whole sector or region.

1. DIRECT IMPACT ON BENEFICIARIES THROUGH TRADING AND SUPPORT ACTIVITIES

Traidcraft has two key goals relating to direct impact on beneficiaries:

- *Improved and sustainable incomes for poor people;*
- *Greater dignity and opportunity for poor people.*

We seek to achieve these goals both through the trading and producer support activities of Traidcraft plc and the implementation of projects through Traidcraft Exchange.

We reported last year that when setting our strategic objectives for the next few years, we were conscious of the limitations of our current impact indicators in giving a full and rounded picture of the effects of our work. Over the past few years we have therefore invested in developing improved Monitoring and Evaluation frameworks, whilst acknowledging that it will be some years before these can give us the data that we need to assess our impact effectively.

Working in partnership with the University of Bath, we have developed a group-based survey methodology for assessing perceptions of wellbeing by our project beneficiaries. This was piloted with textile producers in India in June 2012 and with smallholder farmers involved in a new project in Northern Bangladesh in September 2012. Both were positive experiences with good outcomes but also highlighted some challenges for us to address in future surveys. Our next survey is planned to take place with beekeepers in Tanzania.

Our Policy Unit has developed a theory of change as a basis for developing more effective approaches to evaluating the impact of Traidcraft's policy and advocacy work. The independent consultant who conducted the final evaluation of the one of our policy projects commented: *"The Alternatrade Project did focus on monitoring and evaluation and documented its outputs and potential impact very well."*

Until these new tools are fully embedded, we continue to use a number of existing measurement systems to assess our impact, acknowledging that in some cases they can be viewed only as proxy measures.



Impact on producers supplying Traidcraft plc

a) Developing World Purchases and advances to producers

Purchases by volume and added value measures

Measuring the value of food and ingredient purchases alone can be misleading, because the numbers are affected by world market prices. We therefore monitor the volumes (tonnage) of purchases by each key commodity, as a better indication of how trends are going. We also estimate how the average price that we pay for our ingredients compares with the world market prices for each commodity, to give a sense of added value to producers within these figures.

The volume measures for 2012/13 (see table below) show that in most categories we have had a reduced impact, as our sales turnover has declined.

2012-13	Proportion of total Traidcraft ingredient purchases by financial value	Change in volume/tonnage of purchases	Prices paid (% above market price)
Dried Fruit	25.9%	+11.1%	9.1%
Coffee	19.8%	+7.4%	13.2%
Charcoal	15.1%	-21.7%	8.5%
Tea	9.5%	+1.5%	14.0%
Sugar	9.3%	-0.9%	7.2%
Cocoa	5.7%	-4.1%	5.8%
Nuts	4.0%	-41.0%	3.7%
Honey	2.5%	-75.0%	5.6%
Rubber	2.1%	+16.5%	9.2%
Rice & Grains	1.3%	-61.0%	4.0%
Juice	1.3%	-43.4%	5.2%
Olive Oil	1.2%	+187.9%	20.0%
Wine	1.1%	+16.7%	2.7%
Fresh Fruit	1.0%	+49.5%	5.3%
Spices	n/a	-26.0%	n/a



In total we paid 9.4% more for our fair trade commodities compared to the market rate. This compares with 9.7% in the previous year, the difference reflecting fluctuations in the market prices with which we are comparing ourselves and the different mix of commodities we are trading.

Both these measures have their limitations. We cannot aggregate the volumes into a single measure (comparing the volume/weight of charcoal purchases with that of an ingredient such as honey does not give a measure of relative impact). The price differential moreover is only one of the benefits of fair trade (other factors such as sustained relationships and provision of advice are not readily quantified – though we report on producer feedback below).

Purchases by value

For many years we have reported the value of Traidcraft's purchases from our suppliers, focusing on the three year rolling average to smooth out distortions from variations in the precise timing of bulk purchases. In 2012-13 the rolling average value of purchases fell by 6%. We had anticipated this decline in purchases as we are gradually managing down our high bulk stock holdings. If converted into US dollars (the currency in which most of our purchases are made) using the average cost of dollars purchased by Traidcraft, the rolling average figure decreased by 7% year on year.

	2008-09	2009-10	2010-11	2011-12	2012-13
<i>£'000</i>					
3-year average purchases	3,840	4,058	4,220	4,063	3,831
Target for 2012-13					3,800

The actual value of purchases in the twelve month period 2012/13 amounted to £3.5 million, in line with both our anticipated level and last year's level of purchases. Crafts purchases increased along with an increase in the purchases of coffee and sugar. These were matched by a drop in purchases of charcoal and honey.

The total value of crafts purchases rose 13% to £1.275 million (2011-12: £1.124 million).

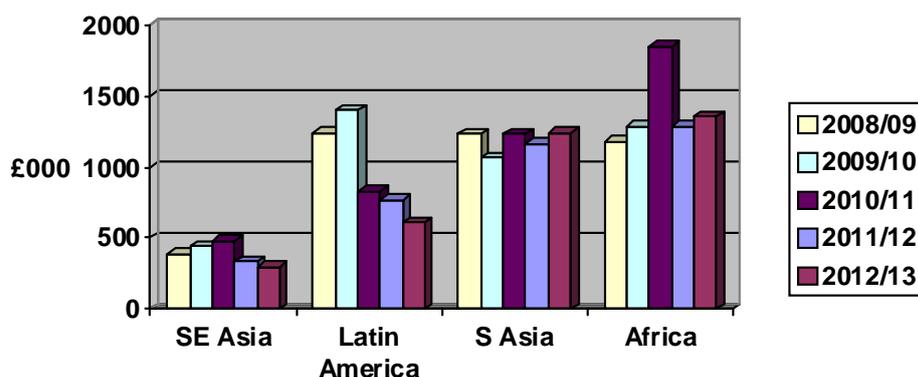
We expect the value of purchases in 2013/14 to decline slightly as we continue to manage our bulk food stocks down.

Regional breakdown of sourcing

The chart below shows volumes from Africa and South Asia increased whilst declining in SE Asia and Latin America. The increase from India was due to craft purchases whilst food purchases accounted for Africa's increase.



Regional breakdown of purchases (direct purchases)



Interest-free advances to suppliers

Unlike many commercial Fairtrade licensees, Traidcraft is committed to making interest-free and unsecured advances to producers where these are required, although we also encourage producers to become less dependent on this over time so they are more commercially sustainable. This can be essential, as many small-scale producers cannot otherwise access credit facilities. Traidcraft also chooses to make payments through Shared Interest (a fair trade financial institution which supports many fair trade transactions) so that our producers are also able to borrow further funds against the security of our orders.

£'000s	2008-09	2009-10	2010-11	2011-12	2012-13
Total advances made	731	823	821	529	589

At 31 March 2013 the total value of advances outstanding was £319,000 (2012: £385,000). The average value of advances outstanding during the year was £214,000. This represents a cost to Traidcraft of approximately £3,000 at current interest rates, but we estimate that the value of these interest-free advances compared to commercial advances that producers would otherwise have had to raise (if available at all) would be in the region of £32,000, given that many would have to borrow at rates of 15% per annum or higher.

b) Sourcing from marginalised producers, additional support activity and fair trade relationships

Prioritising sourcing from Category A/B suppliers

Over the past three years our purchasing policies have evolved to help us focus our buying increasingly on more marginalised suppliers, as a route to maximising our impact (noting that



this is not the most commercial approach to take in supply chain management, as it adds risk and brings quality and management issues).

To achieve this focus we classify each supplier as belonging to one of three categories:

- Category A suppliers: less developed or younger businesses, with whom we choose to trade because of their developmental potential despite their often having a limited commercial capacity. In some cases we may work directly with these groups, in others it may be more effective to work through one of our southern-based trading partners. Our general intention is to source about 50% of the value of our direct food/grocery purchases and up to 20% of our crafts purchases from this category of suppliers. Over time, we hope to see these suppliers graduating to Category B status as their businesses become more robust.
- Category B suppliers: long-term fair trade partners, from whom we seek to make regular purchases but who are less in need of additional development support. A further 30% of foods/groceries and 60% of crafts should be sourced from this category.
- Category C suppliers: The remaining 20% of our purchases may be sourced from other fair trade suppliers, but without our committing to longer-term relationships. We need to source from such suppliers to provide variety in our ranges, allow us to test out new sectors/products and to supplement shortfalls in supplies available from existing Category A and B suppliers.

We are not able to analyse in the same way the sourcing of ingredients by other fair trade brands which we sell (such as Divine and Cafédirect products), but recognize that such fair trade organisations will similarly be seeking to maximize their impact on smaller-scale beneficiaries.

In 2012/13 the breakdown of our purchases by type of supplier was as follows:

	Category A		Category B		Category C	
	% volume	% value	% volume	% value	% volume	% value
2012/13						
Grocery	65.3%	58.8%	15.5%	21.7%	19.2%	19.5%
Crafts	-	4.0%	-	85.0%	-	11%
2011/12						
Grocery	61.4%	43.2%	19.0%	38.1%	19.6%	18.7%
Crafts	-	6.7%	-	76.9%	-	16.5%

The lower level of craft purchases sourced from category 'A' producers reflects the reclassification of 2 producer groups to category 'B', a positive development reflecting that these organisations are less dependant on support from Traidcraft. Two more groups have been included in our A categorisation for 2013-14, one each from Kenya and Sri Lanka.

We have seen a huge growth in orders to one of our newer groups, Noah's Ark in India. This is a fantastic fair trade supplier that we are delighted to be working with and they offer a wide range of products which benefit many producer groups. The growth in orders reflects the increasing need to provide refreshed designs and product categories for our customers so that they are excited to buy from us season after season. We are aware of the impact large orders to a few groups has on other producers and try to develop new opportunities with them as much as we can.



Selling handicrafts in the current economic climate is increasingly difficult. Non-essential purchases are in decline in the wider market and prices have become ever more competitive while at the same time raw material and wage costs are increasing. While we aim to achieve as much consistency in our orders year to year as we can, there is an increasing need to purchase based on sales potential first to improve viability of the crafts business.

Crafts profitability remains a challenge for Traidcraft, as for most other fair trade companies, and there is always a necessary balance to be achieved between selecting the most customer appealing range and ensuring all producers get the order levels they would like.

For grocery products we continued work to bring on new category A suppliers in cocoa and sugar and made good progress in these two commodities. Purchases made from category 'A' suppliers have increased year on year.

Producer Support activity

As well as paying fair trade prices and in many cases additional premiums to our suppliers, Traidcraft provides technical inputs through visits from our own product development, quality and evaluation teams, and we seek to make long-term commitments to place regular orders with many of the groups from whom we source. Beyond this, Traidcraft also provides additional investment for a range of producer support activities, based on consultation with groups about their needs. In prioritising our activities we particularly seek to support our Category A producers, but will from time to time be able to provide support to others as well.

In the last year, Traidcraft plc was able to generate £29,000 (2011-12: £126,000) in funding to sustain this type of activity from its own finances, by passing on an agreed proportion of commission payments from our licence partners for tissue and charcoal products. (Last year these funds were boosted by funding we helped to secure from Co-op Retail for a Chilean producer, Apicoop to support their production of blueberries). In addition we seek external funding through Traidcraft Exchange for producer support work not related directly to supporting purchases by the plc, and raised an additional £11,500 (2011-12: £74,000). This will enable us to expand the scale of this programme in future years.

We have continued to develop and implement our Producer Support and Innovation Programme during the year. A full report on these activities during the year can be found on our website[‡] but examples include:

- **Jumbo Charcoal** who supply the charcoal to the Co-operative have benefited from investing part of the Premium Fund in improved homes for the teams of “burners” who bake the charcoal. Typically they have lived in temporary shelters covered by plastic sheets but these new homes are solid frame constructions and offer much more security to these teams and their families.
- The **Firstlight** co-operative in Sri Lanka continues to benefit from sales of Traidcraft rubber gloves and we are working with them to strengthen what is a fledgling co-operative with 300 small-holders. One particular aspect is to strengthen the role played by

[‡] www.traidcraft.co.uk/impactreport/supportinginfo



women growers in the co-operative’s organisation and including the leadership of the co-operative.

- We have played a key role in working with **Oasis Coffins** in Bangladesh, which is based in the region of Nilphimari which is an area of extreme poverty. The team of around thirty people working at Oasis are benefiting from fair pay and regular work as well as training opportunities.
- A fund has been developed from sales of **Together Green tissues** to specialist cleaning companies as well as Traidcraft’s sales to fund environmental projects with **Get Paper Industries (GPI) in Nepal** and **Mountain Fruits in Pakistan**. The GPI project is focused on tree planting and the prevention of erosion and slope instability and the improvement of the ecosystem. The Mountain Fruits project will make clean, safe water available to a village of around 200 people in an area of “mountain desert” by installing a series of water pipes and water tanks. The water will be for human consumption and also irrigation of the apricots and fruits grown here.

Feedback from plc suppliers

As part of our rolling programme of producer evaluation we ask a selection of our producers to give us feedback on how they rate us. We believe we are the only fair trade organisation in the world to be doing this on a systematic basis. This year we changed our questionnaire and included a more extensive range of suppliers with whom we trade directly. Suppliers were asked to evaluate Traidcraft against standards where we have a direct impact. The questionnaire consisted of 10 positive statements or indicators against which suppliers were asked to evaluate Traidcraft using the following scale:

If you completely disagree with the (positive) statement and you feel that we will never change, you should check the box under this symbol	
If you mostly disagree with the statement and you feel that we have a lot to put right, you should check the box under this symbol	
If you mainly agree with the statement but you feel that we have some small improvements still to do, you should check the box under this symbol	
If you think that the statement is completely correct and we have nothing left to improve then please check the box under this symbol.	

We received feedback from 24 suppliers** together with detailed comments and the overall results for 240 indicators (24 suppliers responding to 10 questions each) was as follows:

	0%
	2.1%
	11.7%
	85.8%



We are pleased with the high level of positive feedback and honest comments. The findings of this process will be used to review our internal systems and procedures and to understand further how we can improve our working with those suppliers who ticked the yellow or amber boxes.

Two of the orange scores related to producers wishing to receive a higher volume of orders. The other orange score was from a producer requiring more design input to help them develop better products.

Impact on participants in Traidcraft Exchange's overseas programmes

Traidcraft's Annual Development Review[§] provides a good flavour of the nature of our overseas programmes, which are implemented by our three overseas offices in India, Bangladesh and Kenya in conjunction with local partner organisations.

Typically we raise funds through major grants, supplemented by donations from the general public, to undertake projects that build on Traidcraft's practical trading experience, but which will bring wider benefits to a larger number of beneficiaries. Often our overseas projects involve group formation, assistance in productivity and diversification of products and markets, private sector linkages and supporting adaptation to climate change.

[§] www.traidcraft.co.uk/Resources/Traidcraft/Documents/PDF/tx/DevRev2013.pdf



The current portfolio of Traidcraft's overseas projects is summarised below:

Region	Sector/target beneficiary group	Target total number of project beneficiaries	Total project value (£'000)	Lead funding partner	End date
CURRENT PROJECTS as at 31/3/2013					
India	Textiles workers	130,000	1,805	EC	2013
India	Local fair trade labelling	39,485	147	ICCO	2013
India	Crafts – child labour	15,000	625	EC	2015
Bangladesh	Jute growers	21,980	484	DFID	2014
Bangladesh	Small holders	45,000	1,533	DFID/ Big Lottery Fund	2016
Bangladesh/India	Jute manufacturers	125,000	767	EC	2014
Bangladesh/India	Smallholder tea growers	255,000	1,161	EC	2016
Ghana	Fair Trade Palm Oil	3,400	805	DFID	2013
Kenya	Smallholder tea growers	180,000	464	DFID	2015
Kenya	Small farmers	10,000	364	Christian Aid	2014
Kenya	Small farmers	25,000	625	IFAD	2012
Tanzania	Beekeepers	13,800	1,044	DFID/Comic Relief	2015
Sub total		863,665			
PROJECTS COMPLETED DURING YEAR					
Kenya	Beekeepers	29,500	488	Big Lottery Fund	2012
Kenya	Smallholder tea growers	3,000	24	UK trusts	2012
India	Cotton farmers	3,895	385	DFID	2012
Tanzania	Beekeepers	4,200	377	EC	2012
Totals		904,260			



*Number of TX potential beneficiaries***

The number of target beneficiaries in the table above assumes an average of five family members for each project participant. The equivalent total number last year was 893,000 and our stated strategic target is to achieve a scale of programme by 2014 that would be reaching 500,000 beneficiaries. We are therefore already exceeding that target substantially, with approximately 900,000 beneficiaries targeted in projects on which we worked during the year.

This large target beneficiary numbers reflects the nature of our current projects portfolio. Projects are aimed at influencing the well-being and incomes of large numbers of producers in a particular region or sector. Inevitably, however, the scale of impact on each participant in this type of project will be less than in some of the more narrowly targeted projects, which may have fewer intended direct beneficiaries but where we can also learn more from our closer level of involvement and have a larger direct impact on each participant.

As several of the projects are still scaling up, the actual number of project participants in 2012-13 was lower than the ultimate target number of participants, and we estimate that 27,000 people were involved – therefore impacting on some 550,000 people after allowing for their dependents/organisations we are working with.

Because many of our projects have the aim of improving practices and policies across whole sectors, we also hope to have an indirect impact upon even larger numbers of producers. This impact is impossible to measure or quantify, but the figures below give some sense of the number of people working in the key sectors and regions on which we are currently focusing:

- 35 million people are engaged in the jute sector in Bangladesh and India.
- 0.6 million smallholder tea growers and almost 15 million people are dependent on the tea sector in Kenya, Bangladesh and India.
- About 2 million rural people are engaged in beekeeping in Tanzania.
- 277 million small producers are involved in craft production in Kenya, Bangladesh and India.

In addition to these figures, we should recognize that the impact of our policy and advocacy work on issues such as trade rules and company practices will potentially have even wider impacts. However, these are so indirect in nature that it is impossible to try to quantify them.

Project implementation

We apply “traffic light ratings” to each of our current projects to assess how far they are on track to achieve their stated objectives.

Of the 18 current externally funded projects, 11 had a green light at the year end, meaning they have good prospects of delivering their goals. Four were on “amber” status (meaning that we have identified some issues of concern that need to be tackled), and three were considered “red”, meaning they are at risk of not delivering their goals unless significant action is taken. We apply

** See www.traidcraft.co.uk/impactreport/supportinginfo for more detailed tables and explanations of our definitions of beneficiaries.



additional staff resource to work with our local partners on projects with amber or red status in order to bring them back on track. We are generally confident that this will be the case with all the current amber-rated projects.

One project which had been red last year, the Sustainable Textiles project in Rajasthan, India, has now moved to amber. Crafts firms have finally begun to move into the new textile park, and we have completed all the training of artisans. The project has been extended to finish in mid 2013.

Meanwhile, three projects have become red.

- The Fair Cup project in Kenya aims to improve tea growers' capacity to control their tea-processing factories. It has had difficulty initially in getting the support of tea factory managers, and in delivery of activities by the local NGO. A Traidcraft consultant is working intensively with the project to bring it back on track.
- The Ecojute programme has not managed to develop all the consumer demand for jute products that we hoped for. We expect improvement by the end of the project, but not the full demand that was targeted.
- The Equalitea project with smallholder tea growers in India and Bangladesh was going well on the ground, but Indian government regulations are preventing transfer of EC funds for the Bangladesh operation for which Traidcraft is responsible. We are hopeful of a solution, but meanwhile we have had to suspend the project there.

Project design

There have been continued improvements during 2012-13 to the way in which Traidcraft approaches project design and project monitoring and evaluation, although there remains more to do to ensure that we both secure the funds we need and deliver the impact goals we have set for ourselves. Specific developments are outlined below.

The interactive project design workshop that was piloted in 2011-12 has been further developed, with the addition of some new elements, and facilitator guidelines produced. This revised workshop will be trialled in Kenya in June 2013.

Our Catalyst Programme enables us to carry out essential research and beneficiary consultation to inform the development of effective new projects for which we then secure larger project grants from a range of funding institutions. By the end of March 2013 there were five Catalyst-funded projects in progress (two in Bangladesh and India, one in Kenya). A £10k donation to Catalyst was received at the very end of the year providing a welcome boost to the funds we have available to invest in Catalyst projects during 2013-14.

The Catalyst Programme has enabled project teams to invest more time on essential beneficiary consultation and participatory project design activities. Neeti Malhotra, India Country Director, said in her 2013-14 quarter 4 report: *"We've invested much more time in project development workshops with partners and beneficiary consultations for project development than at any other time in the India programme."*



During the year the Board created a Development Advisory Committee of external development experts to assist us in thinking through strategy, improving the quality of project design, and to help the Board evaluate project implementation. The committee met twice during the year and has provided very useful input.

Project evaluations

The impact of a project can usually only be seen either at the end or some years after its end. Two projects came to an end during the year.

The BELIEVE beekeeping project amongst pastoralists in Kenya had a major impact. According to an independent evaluation, 90% of the 5000 participants at least doubled the volume of honey they were producing. At the same time, the project managed to increase the price received for honey, by organising collection centres rather than relying on visiting traders. Natural Resource Management Committees have been formed, which have invested in the improvement of water resource management, tree nurseries, reforestation, forest management and banning charcoal burning – and bid for funds from local government to do so. The only project milestone not achieved was to increase savings and that was because there was no easy savings institution to use.

There has been over 100% [increase in] project income in terms of honey prices and the increase in the number of beehives in our group” observes Mr.Palor, Project Officer, Linyot-KodichKacheliba North Pokot.

The Local Market Services project in East Africa has also finished. We have not yet commissioned an independent external evaluation, but we have prepared our own Learning Report. The project has been testing an approach to building the capacity of traders, to increase the income of small farmers selling to them. The basic model of enabling traders to become trusted brokers seems to be working. Several trading networks have created sufficient trust with suppliers to enable them to release their produce on credit, and expand successfully. Initial data suggests that the more sophisticated business model is returning higher prices to farmers. Another innovation of the project – providing up-to-date local market information to farmers-worked in Uganda but not in Tanzania or Kenya, not least because mobile phone companies began providing such data more cheaply.

Bahat Tweve, of the Southern Highland Biashara Mapema in Tanzania, reports that he has obtained higher prices through the improved quality of produce because the buyer quickly realised that this reduced his costs for sorting, cleaning, and drying.

Halfway through a project, we commission mid-term reviews, to see how the project is progressing against its goals, to identify any issues, and propose how we can improve our implementation to build on the successes and counter the problems. Two such mid-term reviews were completed this year.



Ecojute aims to reduce poverty in Bangladesh and India by encouraging a switch to more environmentally sustainable practices amongst small enterprises (SMEs) in the jute industry. The supply side activities of the project were being completed on schedule. A key component of the project was to build the capacity of 45 consultants (“service providers”) who could help the jute SMEs. They have had structured training on business coaching, market access, product development, accounting and export documentation, quality control, and so on. They have developed good relationships with SMEs and are providing mentoring and business coaching to them. But the demand side - of stakeholder and buyer workshops, developing market linkages, and conducting a consumer campaign - has not made progress. Accordingly, it is one of the projects with a red marker.

Ms Shahida Begum “I employ 16 homeworkers who are all women. The work environment for women has tremendously improved now whereas I had to struggle getting into jute business some years ago. I am hoping that the project brings market buyers for JDPs so that the women workers find work stability throughout the year”

SALI project in Kenya: This Christian Aid-funded project has two big goals - to enable small scale farmers to adapt to climate change by getting seasonal weather forecasts by text, and by switching to more appropriate crops and techniques. Secondly to help farmers to get the organisation and skills to sell their crops at good prices. The Mid-Term Review shows that climate change part has worked well - 90% of farmers have access to climate change information, and are satisfied with the weather information received. The marketing part is slower, because farmers have only recently formed marketing associations. Initially they misunderstood the project, expecting Traidcraft simply to find buyers for the crops, rather than our more sustainable goal of equipping the associations to enter the market themselves. They are now beginning to deal directly with market players up the supply chain with better prices negotiated. A key recommendation of the midterm review is to focus on practical learning-by-doing for the officials of the associations.

Partner feedback

For reasons of economy, we have not, as in past years, commissioned a survey of TX project partners in a particular country. We expect to resume the practice in 2014, recognising that an arms-length survey gives the benefit of anonymity. We received no complaints through our complaints policy.

Our 2012 AGM speaker was Mr J. John, of the Centre for Education and Communication in India, which is implementing two of the projects we support. He highlighted the importance of mutual trust and respect in the relationship with Traidcraft – it felt (most of the time) like partnership not a donor/recipient relationship, with decisions taken together and sometimes with CEC as lead partner. This was different to most other organisations CEC worked with. He also welcomed Traidcraft’s clear long term focus on trade and trade justice as crucial to tackling poverty. In future he wondered whether the plc might look at investing in joint ventures with farmers, and look to develop other markets collaboratively with them.



2. INNOVATION & INFLUENCE REPORT

The indirect impact of influencing others is even harder to measure and attribute than the direct impacts Traidcraft has on its beneficiaries, and is usually longer-term in its nature. Nevertheless, influencing large businesses and government decision makers is hugely important in creating an environment in which more people can be enabled to lift themselves out of poverty and is one of our three main strategic goals. Its potential impact is far wider than that which can be achieved through direct trading and support interventions alone, although to be effective in influencing we need the credibility and learning that only comes through such direct activities. It is the combination of these complementary activities that we believe is fundamental to our ability to achieve lasting change.

Policy and advocacy work

CURRENT POLICY PROJECTS AND WORKSTREAMS (as at 31 March 2013)	Project aim	Total project value (£'000)	Principal funders	End date
“Alternatrade”	The EU changes its approach to trade generally, and to raw material sourcing in particular, to promote development	812	EC	2013
Fair Trade	Good practices within the fair trade movement	90	Traidcraft, Oxfam	2013
European retailers	Improved livelihoods of workers and farmers supplying EU retailers	1,138	EC	2014
Investment Policy	In investment agreements, the EU allows developing country governments to put obligations on European investors	137	EC	2016

2012 - 13 was a remarkable year for successful campaigning. For some ten years, Traidcraft had been part of an alliance pressing for supermarkets to treat their suppliers fairly. At one point, the plc submitted evidence to the Competition Commission on our trading experience of problems caused by supermarket buying practices - at a time when other suppliers held back for fear of retaliation. By the 2010 election, the three main parties included in their manifestoes a commitment to introduce a supermarkets watchdog. Traidcraft campaigners pressed the coalition government to bring forward a Bill, which they did in 2012 – but without the watchdog having any powers to fine errant supermarkets. Traidcraft policy advisers scrutinized very carefully the wording of the Bill, with other members of the Groceries Market Action Group. Meanwhile campaigners wrote to press the government to give the watchdog the power to fine, and organised a presentation of a toy toothless watchdog to the Minister, Jo Swinson. When she introduced the Bill in the House of Commons, she produced the Traidcraft watchdog from her pocket and put it on the Despatch Box to show the pressure she was under. In the debate, MPs pressed the case. The following week, the civil servant rang to tell Traidcraft that the government would indeed amend the Bill to allow the power to fine. Rarely do campaigners get such a clear line of sight of their influence.



A second success, though only temporary, was to get the EC to delay a deadline they had imposed on African and Pacific countries to conclude negotiations on new “Economic Partnership Agreements” (EPAs) to replace the previous access of their goods into Europe. We believe that the EC’s proposals would prevent developing countries from using desirable policies, such as requiring foreign investors to buy inputs locally rather than importing them. Traidcraft campaigners wrote personal letters to Members of the European Parliament, resulting in the Parliament voting to delay the deadline by two years. Sadly, once the Council of Ministers became involved in 2013, the delay was reduced to only six months.

During the year, we had one independent final evaluation – of the “Alternatrade” project with two German partners, one French and one Irish. The project lasted 3 years, and had two parts. A first campaign, led by Traidcraft, sought to influence the EU’s Raw Material Initiative. A second campaign, aimed to bring opinions about trade from thinkers in developing countries.

The evaluation highlighted:

- That the project exceeded targets in almost all indicators.
- That the project had considerable impact. The first campaign put the raw materials debate on the political map and brought about changes to official EC language on the topic. The second campaign’s voices from developing countries (through a report and a speaker tour) were key to engaging supporters in issues which can appear dry and complicated. At the practical level, MEPs confirmed that letters from campaigners contributed to extending the EC deadline for concluding EPAs.
- The strong commitment of all project partners to make the project a success.
- An excellent range of materials which have a long ‘shelf life’.
- That Traidcraft as the lead organization managed the project very well, and put good monitoring and evaluation systems in place.

The evaluation commented that incorporating two comprehensive campaigns with multiple target groups in 3 years was too ambitious. The second campaign underestimated the time and planning required to bring together a multi-country report with multiple authors on wide diversity of topics. The evaluation recommended greater use of social media, given the difficulty of engaging traditional media with the global economic crisis dominating headlines.

Supply chain innovation programme

Under the Producer Support and Innovation Programme, we have been developing new supply chains – both for existing commodities and products (e.g. targeting smaller and more marginalised groups of producers in line with our ABC categorisation model) and for commodities or sectors new to Traidcraft and in some cases new to Fair Trade.

Key innovation activities which progressed during the year were as follows:

- **Sugar:** As part of an initiative to work with more category A suppliers, we have continued to research the supply chain of sugar in Swaziland. Fairtrade certification was achieved during the year and we are actively seeking to switch some of our supply chains to this new source of sugar.
- **Cocoa:** We conducted further research on cocoa cooperatives in Cote D’Ivoire and wanted to target smaller and more vulnerable suppliers in line with our ABC model. We selected



- and visited two co-operatives new to Traidcraft and commissioned further research and needs assessment with a view to further producer support and assistance in the future.
- **Coffee:** We have investigated the possibility of extending our coffee sourcing to more African countries than at present and have drawn up plans to develop a range of specialty, single origin roast and ground products which we hope to launch late in 2013. This work has been in collaboration with other Fair Trade Organisations like Twin Trading and Oxfam Fair Trade from whom the coffee beans will be sourced.
 - **Palm Oil:** We continued our work on palm oil and visited a new supplier in Ghana in preparation for the development and launch of cleaning products which use palm oil as an active ingredient. Palm oil is a major world category but also controversial because of its negative impact on the environment and its reliance on very large plantations but this supply chain from Ghana applies Fair Trade principles and is also organic. We were successful in a joint funding application with two other partners to the DFID's Food Retail Industry Challenge Fund to assist in the development of the farmer infrastructure in Ghana, to improve agricultural techniques and increase yield, to improve efficiencies in processing the palm fruit into oil, and to assist in product development costs. To date Traidcraft has received £11,000 to help in the development of our cleaning range which will launch in 2013.
 - **Coconut Products:** We have worked on additional coconut products beyond the traditional food related applications. Coconut oil will be a key component of our cleaning range alongside palm oil, and coir fibre is being developed for use in garden compost.
 - **Stevia:** We have developed a relationship with a supplier in Paraguay although making slow progress due to the complexities of processing into a suitable retail product.

As reported last year we remain extremely disappointed at the lack of progress in developing a Fairtrade Innovation label, which the Fairtrade Foundation had been indicating they were willing to collaborate on. Without such a label for standards under development, the process of proving a business case for a new sector/commodity is made much more difficult.

Influence on fair trade movement

Fairtrade sales in the UK grew by some 19% to approximately £1.6 billion million in 2012. Traidcraft continued to be involved in a large range of roles within the Fair Trade movement, seeking to help it develop greater impact, and assisting in the promotion of fair trade in the UK and beyond.

- Participation by Paul Chandler (Traidcraft's CEO) in several Fairtrade Labeling Organisation (FLO) workshops on the future of Fair Trade Organisations (FTOs), representing European Fair Trade Association (EFTA).
- Spearheading awareness of the New Business Opportunity (NBO) proposals among EFTA and UK Fair Trade Organisations, and then coordinating responses including writing to Fair Trade Foundation (FTF) and FLO Chair on this topic and direct discussions with FLO chief executive and strategy director.
- Paul Spray (Director of Policy and Programmes) is on the board of Board of the Fair Trade Advocacy Office which is chaired by Jenny Borden a Non-Executive Director.
- Mags Vaughan (Business Director) and Paul Chandler were co-chairs of the UK Fair Trade Leaders Forum until December.



- Traidcraft helped pull together the FTF Founders both to discuss their perspectives on future of FT and how it fitted with wider development thinking, and to consider changes to the governance of FTF.
- Paul Chandler was a member of the EFTA Executive participating in review of EFTA structures and activities.
- Encouraged and supported by Traidcraft, EFTA produced a report on Living Wage which highlighted Traidcraft as an example of best practice among FTOs.
- Paul Chandler spoke at the “Year of Cooperative” conference in Manchester on the future of Fair Trade.

3. MOBILISATION OF UK SUPPORTERS

In order to deliver any of our three key strategic goals, Traidcraft needs to mobilise support among the UK public: our active supporters, customers, donors and campaigners, without whose engagement we could achieve little. We also believe that as we engage with the general public in these ways we can promote their flourishing, as well as that of poor producers – by helping people understand and feel connected with the things they buy and consume, and feel that they are living in ways that are socially and environmentally responsible.

Supporter Numbers 2013

	Fair Traders	Mail Order customers	Donors	Shareholders	Campaigners	Total
Fair Traders	6,145 (-3%)		1,069	294	901	
Mail Order customers		51,438 (-9%)	14,230	340	978	
Donors	1,069	14,230	19,939 (-21%)	1,105	1,699	
Shareholders	294	340	1,105	5,346 (0%)	361	
Campaigners	901	978	1,699	361	19,651 (+7%)	
Total						81,542 (-6%)

During the last year we have focussed on retaining customers and providing a compelling reason to support Traidcraft, by re-energising our supporter base through new messaging, products to engage the faith community and removing barriers to purchase.

Our customer base reduced by 9% over the year, largely driven by a fall in the number of Mail Order customers after a disappointing autumn season. The supporter matrix above shows a fall in the number of supporters across the different ways to support Traidcraft and highlights the symbiotic nature of our trading and fundraising activities. The one area of growth was campaigners which demonstrated the success our campaigns team have had in engaging supporters around a number of activities during the year.

Our drive to remove barriers to purchase around free delivery order thresholds and making more of our grocery products available in individual packs, has led to a positive increase in the number



of orders per customer placed with us, which overall was up 4.4%. This initiative was particularly well received by our Fair Traders in smaller communities who have difficulty selling in larger volumes. Whilst Sales in our Mail Order Channel reduced over the year, food sales grew by 7% as many customers tried our food products for the first time.

Although the overall number of customers is down year on year, it is encouraging to see that the percentage of those customers giving to Traidcraft Exchange has remained consistent. These customers support Traidcraft through personal giving and through community groups affiliated that compliment their trading relationship. The reduction in giving experienced by Public Fundraising is a knock on effect of lower sales and less customers from plc, however customers although lower in numbers, are still remaining loyal in their associated giving.

Within the Supporter Development team we are continuing to develop technologies both behind the scenes to strengthen our customer offering and customer facing technology to increase supporter interaction. As part of our back-office system we have continued to develop our Business Intelligence system, to give us insight and data through a supporter and product lens to identify trends, behaviours, motivations and buying patterns to become more customer-centric in our engagement. On the frontline technology front, we also deployed the Traidcraft 'mobile skin' onto our online shop during the autumn season to further tailor our offering and meet supporters where they are. During spring, we launched the 'Mug Hug' Facebook app to support our Big Brew offering, which was well received by our supporters and given public recognition by the online marketing community.

Customer service levels

Providing a high level of customer service and product quality is important to the attraction and retention of support.

- We continued to provide a very high level of order turnaround and accuracy, with 99.9% of orders dispatched within 48 hours of the order being received and processed by our customer services department and an error rate of less than 0.1% in order entry on packing and <0.5% on how our parcel carriers had performed. These figures are a slight improvement on the previous years. During the year we processed over 134,000 (138,000 previous year) orders with over 154,000 parcels being sent out.
- Food stock availability was good for most of the year, averaging just under 98%, but there were problems with some food product lines being out of stock or arriving later than the forecast launch period particularly FairBreak wafer during the autumn season.
- Craft product availability targets are set less high as we aim to sell out of lines during each season, but we do not want to sell out too early and lead to customer frustration. Availability was improved in autumn 2012 on previous autumn trading seasons.
- Availability of Christmas cards remained at similar high levels to the previous years, utilising the ability to place top-up orders through our supplier. It is our aim not to end up with high residual stocks of Christmas cards each year as this ties up capital.



- During the year we launched an online review service via FeeFo. This is enabling us to capture service feedback from customers who have placed an order online and provide customers the chance to leave product reviews and rate products. To date we are recording an extremely high level of service feedback.
- In 2012-13 the overall number of negative pieces of customer feedback received into our customer services team was 4,124. This is lower than previous years but it should be noted that during the year Feefo came online and comments recorded there are not included in the dataset. We have experienced continued challenges in shipping cases of wine. Although the carrier we use is able to ship wine there remains a level of breakages that we believe is too high. We have traced some of this down to the different sizing of bottles and poor fitting outer cases. There continues to be challenges in shipping terracotta items as they are prone to damage. We have reviewed the packaging of these items.
- Whilst the absolute number of pieces of feedback in the table below looks large, in relation to the number of items sold they are in fact at what we judge to be very acceptable levels.

Year	Pieces of negative feedback
2008-09	5,177
2009-10	4,208
2010-11	3,708
2011-12	4,380
2012-13	4,124

- 5 complaints were received relating to administration of fundraising (2012:4); this is about half the industry average rate, related to volumes of direct appeal activity.

Church and schools activity

When analysing our Fair Trader sales by primary selling location, we can see that support from the Faith Community still represents the majority share of our income. To this end, we have continued to provide a product offering and a compelling reason to buy that resonates with the Faith Community.

The Real Easter Egg performed well for the third year running, supported by other faith based messaging and materials throughout the year.

Sales through schools rose steadily over the year as we continue to tailor our online and direct mail marketing towards the main motivation and primary selling location of our Fair Traders. Schools also represent the largest proportion of our speaker requests with 219 talks being given in schools from a total of 347. Our speaker network currently stands at 358 vs. 363 last year.



Brand awareness

Once again we did not undertake a brand survey this year, as a cost saving measure. In 2011 a survey indicated that 27% of the UK adult population recognized the Traidcraft name, a significant increase on the 17% figure five years previously. We may undertake a further survey in early 2014.

During the past year the Advertising Value Equivalent of media coverage of Traidcraft remained at £2.6 million. This was encouraging as we had anticipated a lower figure this year because of the coverage given over to the Olympics and Jubilee events.

4. ENVIRONMENTAL IMPACT

Traidcraft's Foundation Principles have always included the statement that "Traidcraft respects all people and the environment", and promoting environmental responsibility has long been a dimension of our work.

As a responsible business and charity we endeavour to understand and reduce the environmental impacts of our activities whilst continuing to grow the scale and impact of our development work. We take seriously the challenge of promoting sustainable consumption practices and offering our customers a responsible product choice.

As an organisation committed to long-term sustainable development, we seek to support the producers we work with to address and adapt to the challenges of climate change whilst recognising that their immediate basic needs are paramount.

Traidcraft's 2011 – 2020 strategic plan puts greater emphasis on addressing both the environmental impacts of our business and the developmental challenges posed by climate change. Over the last 18 months we have made good progress with developing our understanding of these issues and putting plans in place to further address these.

A full report on our environmental impact is on our website^{††}, but key measures are summarised on the next page.

^{††} www.traidcraft.co.uk/impactreport/supportinginfo



Progress against goals for 2012 - 13

Issue	Goal	Progress
Total carbon footprint	Reduce by 5%	Stayed the same (explanations below)
Airfreight	Reduce to 1.75%	Increased to 3.16% (explanations below)
Gas usage	Reduce by 5%	8% reduction (see comments below)
Electricity usage	Reduce by 5%	11% reduction (see comments below)
Packaging	Explore more environmentally friendly packaging options for top 5 products (by value)	The team continue to explore options however our small volumes make securing affordable eco-friendly alternatives difficult
Waste	Reduce waste sent to landfill by 10%	Waste to landfill reduced by 21%
Sales materials (e.g. catalogue, bulletin, fliers)	Reduce tonnage by 5%	Reduced by 7.2%
Office paper	Reduce office consumption by 10% Reduce paper statements by 5%	Office consumption reduced by 24% Due to inaccuracy of 2011/12 data we could not track this year but systems are now in place to do so
Staff travel	Reduce CO2 associated with staff air travel by 5%	Not achieved, there was a 3.7% increase for reasons explained below
Climate change	Conduct one environmental impact assessment of a key producer	2 environmental impact assessments were conducted this year and plans are being developed to address the key issues identified
	Develop one new environment focused climate change project	2 projects are currently underway in Pakistan and Nepal focusing on clean water provision and tree planting



Progress with reducing our carbon footprint

This year we have further expanded the impact 'boundaries' covered by our reporting to include our use of paper. We recognise that as a mail order company we use a significant amount of paper which has a CO₂ impact and started to gather information on the volumes used last year; we are reporting these for the first time here as part of our total footprint assessment. To enable comparability we have estimated volumes for previous years based on mail order catalogue print runs, by far the most significant volume of printed matter for Traidcraft.

While we did not achieve the target 5% reduction in our overall measured footprint last year as explained below, it is encouraging to see good progress in some areas like energy reduction, paper use and waste.

The table below estimates the carbon impact of a range of Traidcraft activities.

Source	2008-09 Tonnes of CO ₂	2009-10 Tonnes of CO ₂	2010-11 Tonnes of CO ₂	2011 – 12 Tonnes of CO ₂	2012-13 Tonnes of CO ₂
Importing Air Freight	125	140	92	49	73
Importing Sea Freight	236	259	213	126	102
UK Gas usage	158	150	138	135	123
UK Electricity usage	<i>G'head: 150 London: 15</i>	<i>G'head:145 London: 15</i>	<i>G'head: 140 London: 15</i>	<i>G'head: 135 London: 15</i>	<i>G'head: 121 London: 15</i>
Paper (print material and office paper)	220	210	200	193	180
Staff Air Flights	<i>500 Revised estimate</i>	<i>500 Revised estimate</i>	<i>450 Revised estimate</i>	<i>431 Good estimate</i>	<i>447 Good estimate</i>
Staff Train journeys	<10	<10	<10	<10	<10
Staff car / van travel	35	35	35	35	35
UK carrier activity – carrier 1	45	45	45	50	45
UK carrier activity – carrier 2	200-250	200-250	200-250	200-250	200-250
TOTAL	<i>Approx 1,750</i>	<i>Approx 1,750</i>	<i>Approx 1,600</i>	<i>Approx 1,400</i>	<i>Approx 1,400</i>



Importing goods from around the world

Goal 2012 - 13: to reduce the % of goods imported by air to 1.75% or less. Actual 3.16% (2011 - 12: 1.77%).

As can be seen from the above, the level of goods imported by air increased quite significantly on the previous year and was considerably above the target set; these were all craft products. This is partly explained by a change in reporting to include air courier parcels (for high value goods) in the airfreight calculations; as we continue to take measures to improve the visibility of and accountability for our impacts we are finding anomalies such as this which are now being addressed. The most significant factor however was an unusually high number of production problems with some of our wholesale orders which had to be imported by air in order to meet customer deadlines.

As with last year the total volume of goods imported by Traidcraft plc was considerably lower than in earlier years at 474 tonnes. This partly reflects measures taken to reduce inventory holdings in UK and also the reality of lower levels of business driving lower stock requirements in the current challenging trading conditions.

Energy supply and usage

We made good progress with energy reduction measures in 2012 with timer switches and sensors fitted to equipment to reduce energy waste, energy efficient hand-driers installed in toilet facilities and lighting and heating improvements. We also encouraged staff to be more vigilant about switching off equipment at night. Further plans are in place for 2013 - 14.

Overall gas and electricity usage for 2012 - 13 reduced by 8% and 11% respectively compared to 2011 - 12, although this is good to see it is slightly disappointing as with the closure of the Queensway office part way through the year and the other energy saving initiatives put in place, we hoped to see a greater reduction. We do however note the particularly cold winter and increased need for heating.

The Gateshead and London sites were supplied with 100% renewable electricity throughout 2012 - 13.

Paper

Our most significant print matter is the catalogue that Traidcraft plc issues twice a year. In 2012 - 13 catalogue production accounted for 137 tonnes of paper, a 12% reduction on the previous year.

We have taken several steps in recent years to mitigate the impact of our catalogue mailings including:

- Catalogue cover printed on FSC board.
- Main pages are made from 100% post consumer waste.
- Both the paper mill and the catalogue printer operate an environmental management system certified to ISO14001 and publish annual statement verified to the EU's EMAS standard.



- The majority of the catalogues are mailed naked (no plastic or other wrapper) by responsible mail.
- More targeted mailings to improve response rates.
- Returned catalogues are reused or recycled.
- No reply envelopes are included for postal orders.

The total tonnage of paper used for our print materials was 154, a 7% reduction from 2011-12.

Traidcraft continues to use office paper that is made from 100% waste paper. The main uses of this paper are for customer invoices and statements, internal documents and general office printing. In 2012 - 13 we used approximately 3.8 tonnes of paper (1410 reams), in 2011 - 12 we used 1850 reams. This encouraging improvement reflects initiatives to encourage staff to 'think before you print' and use paper more efficiently.

27,000 paper invoices were sent in 2012 - 13 and we are working hard to reduce that number by encouraging customers to sign up for electronic invoices. 4,000 of our customers receive electronic invoices at present.

Traidcraft sends out many parcels each year, the majority of which use cardboard boxes with newsprint reel off cuts for supporting packaging. We continue to re-use boxes where possible and this year we trialled two alternative eco-friendly 'void-fill' options, recycled paper and biodegradable air pillows. The significantly higher cost of these options precludes full adoption of these methods however we will continue to explore the possibilities of air pillows as the availability of news reel cut offs reduce.

We work continually with our food manufactures' to minimise excessive food packaging and find environmentally friendly options where available. At minimum we aim to ensure as much as possible is recycled and recyclable.

Carbon offsetting

Many organizations use external carbon offsetting schemes or buy carbon credits by way of offsetting their organisational footprint. Traidcraft has chosen instead to support our producers in making carbon reduction or other environmental improvements; we set aside a sum equivalent to what we would pay to an offsetting scheme and use this to provide small grants to encourage and support those who wish to make a real difference.

In 2012 - 13 the carbon offsetting funds, together with the environment fund contribution from our 'Together Green' toilet tissue arrangement was allocated to two projects which are currently in progress: supporting the provision of clean drinking water to a remote fruit growing community in Pakistan and a tree planting project in Nepal.

Progress with activities to address the impacts of climate change

The link between climate change and poverty is increasingly clear and at Traidcraft we have seen many farmers and producers we work with face the reality of climate change every day in their businesses and their communities. While Traidcraft is not an organisation with strong expertise in climate change adaptation we do believe it is important to support producers to understand the



threats that climate change poses and to do what they can to address these for their future sustainability. We will continue to work in partnership with other organisations who bring expertise and experience in this area.

Some of the activities Traidcraft was involved with in 2012 - 13 are as follows:

Chile

Environmental foot-printing assessments were carried out with Apicoop and MiFruta. These have identified the biggest areas of impact and mitigation and adaptation plans will be developed in 2012 - 13

Most projects in the region now have a greater focus on environment and climate change:

Bangladesh

- APONE (Alleviating Poverty in North-East Bangladesh) & ALO (Alternative Livelihood Options): the focus is on advocating and supporting sustainable agricultural practices e.g. soil testing and regulating use of chemicals in soil, increased use of bio-compost material, crop diversification to adapt to climate change, and reduce vulnerabilities through increasing efficiencies in production (reducing costs and achieving economies of scale through collective operations).
- Golden Fibre: the focus is on Jute as an eco-friendly crop and promotion of sustainable agricultural practices as above.
- Eco Jute: supporting SMEs producing jute diversified products to reduce their carbon footprint in their production processes.
- Equalitea: supporting diversification among small holders to grow tea on fallow lands and protect the soil from erosion.
- In 2012 - 13 Traidcraft continued to support the work of a Newcastle University student undertaking studies on the impact of climate change on the livelihoods of poor farmers and workers in the jute industry in Bangladesh.

India

- Sustainable Textiles: the project has worked with SMEs and artisan clusters to improve their production practices to help reduce use of chemical dyes, treat effluents, harvest and recycle water, and improve health and safety of artisans through improved operating gears and equipment. We have a concept note for a follow-on project, Going Green.
- EcoJute (same as is for the Bangladesh projects above).
- We have developed a new project proposal to support beekeeping amongst tribal communities, increasing biodiversity.



Kenya

- The end of project evaluation for 'Believe' concluded that the project reduced the land and environmental vulnerability of project beneficiaries through improvement of community management of natural resources which lead to improved access to water, grazing land and food.
- Traidcraft is a partner in a Christian Aid project 'Strengthening agricultural innovations to boost sustainable food security' which is introducing climate-smart agricultural techniques, and texting weather forecasts to farmers on their mobile phones. The mid-term review showed the project is helping to improve awareness of climate change and providing effective training on environmental management.

Tanzania

- A significant new project 'Beekeepers Economic Empowerment' (BEE) recently got underway. The project aims to increase the income beekeepers receive from their honey by encouraging protection and good management of their natural resources. 1200 new beekeepers will be trained in responsible beekeeping and a further 1,560 trained beekeepers will receive support relating to good beekeeping practice.
- A new project concept 'Livelihood Improvement in Vulnerable Environments' has been developed to reduce vulnerability to volatile weather patterns and boost agricultural production and marketing. We hope to secure funding for this in 2013.

Environmental goals for 2013 - 14

Issue	Goal
Total carbon footprint	Reduce by 5%
Airfreight	Reduce to 1.75% or less.
Gas usage	Reduce by 5%
Electricity usage	Reduce by 5%
Packaging	Reduce waste sent to landfill by 10%
Waste	Reduce tonnage by 5%
Sales materials e.g. catalogue, fliers, bulletin	Reduce office consumption by 10% Increase number of customers receiving electronic statements by 5%
Office paper	Reduce CO2 associated with staff air travel by 5%
Staff travel	Reduce by 10%



Climate change	Conduct one environmental impact assessment of a key plc producer
	Develop one new environment focused project for plc producers(likely to be related to water harvesting)

5. STAFF

Our staff are essential to the achievement of Traidcraft's mission. Treating our staff fairly and with concern for their personal development and well-being is important to us. A fuller report on staff-related statistics is to be found on our website^{##}, but key data is shown below.

Staff numbers and gender balance as at 31 March

		2009	2010	2011	2012	2013
Male staff	Full-time	60	53	51	51	48
	Part-time	4	7	7	8	10
Female staff	Full-time	74	64	65	61	54
	Part-time	34	36	34	33	31
Total		172	160	157	153	143

In terms of full-time equivalent staff numbers, at 31 March 2013 there were 138.6 staff (2012: 139.5).

The above table includes the 15 overseas staff (none of whom are expatriates). Line managers include 22 women and 13 men; within this total the senior management team comprises 9 men and 9 women, but the Executive 4 men and one woman.

Other statistics

- UK staff included six who have notified us of a disability.
- 8% of UK staff come from ethnic minority backgrounds, which compares with 4.7% in the local North East population.
- Staff turnover in the year at 15% was at the top end of our target range of 7.5% - 15%. One third of leavers retired. We have reviewed the reasons for leaving and we do not believe this reflects any issues of concern.
- Days lost through sickness absence fell from 2.8% of available time to 2.2%, 0.8% of which related to long-term sickness. The North East average level of sickness in 2012 was 2.5%.
- The average number of days training provided per staff member was 1.3 against our target of two days of training input for each member of staff. This reflects budgetary pressure and some under-recording of actual time allocated to such activity.

^{##} www.traidcraft.co.uk/impactreport/supportinginfo



Staff survey

In April 2013 we carried out our annual staff survey. This showed a slight improvement in staff satisfaction. We are pleased that even against a challenging backdrop our staff still score us highly. The overall scores remained strong and the overall satisfaction score of 7.25/10 was ahead of our target level of 7.0.

Health and safety

Promoting high standards of health and safety is also an important dimension of our care for staff and visitors. During the last year we have overhauled our UK and overseas policies, and are pleased that the number of accidents recorded has continued to fall year on year in the UK. All UK accidents were minor in nature.

	2008/9	2009/10	2010/11	2011/12	2012/13
Number of accidents in UK	27	18	10	9	13

Overseas we experienced two significant incidents – one a vehicle losing a wheel, and the other serious bee-stings - on a visit by UK staff to Tanzania. This highlighted the risks to our staff when they are travelling in developing countries. Following this incident, we have reviewed all our travel procedures, and introduced new risk assessments, and protocols to deal with accidents in remote locations.



G. TRAIDCRAFT PLC FINANCIAL STATEMENTS

CORPORATE GOVERNANCE PRINCIPLES

Traidcraft seeks to apply the highest standards of corporate governance. We aim to follow the UK Corporate Governance Code (a reporting code for London Stock Exchange listed companies, “the Code”), although because we are not a listed company compliance with this Code is voluntary rather than required.

Traidcraft does not comply with the recommendation that performance related pay should form a significant proportion of the Executive Directors’ remuneration. Given our values-based nature and mission, the Board does not believe that this approach would be appropriate for Traidcraft. Indeed, we believe it is important to model an organisation in which senior staff are not remunerated disproportionately to the benefits gained by other stakeholders.

Directors need to stand for re-election at least once every three years. The Code requires directors of FTSE350 companies to stand for annual re-election, but Traidcraft does not consider this to be appropriate for a company of our size.

In keeping with one of the main principles of the Code, the Board undertakes a formal annual appraisal both of its performance and that of the Chair. Structured surveys were submitted by all Board members in May 2013, and led to detailed discussions on how the Board could become more effective. Board structures and processes were also the subject of a major review in November 2011, following which amendments were made to our governance guidelines and the terms of reference of the Board’s committees.

The Directors welcome the expanded list of Directors’ duties contained in the Companies Act 2006, which mean that they are required to give due consideration to Traidcraft’s social and environmental impacts as well as its financial performance. Indeed, we are proud that Traidcraft played a significant part in lobbying for adoption of this expansion of directors’ duties. We have long been pioneers of social reporting, having been the first UK plc to produce audited social accounts in 1992, and we seek to reflect this in the Impact Report that forms section F of this document.

BOARD STRUCTURES

Operation of the Board and Foundation

Traidcraft’s Board is responsible for approving Traidcraft’s policy and strategy. It met five times in 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 Company’s expense. Training is available for new directors and other directors as necessary.



Board meetings of Traidcraft plc and of Traidcraft Exchange usually take place concurrently, with care taken to note which decisions are taken in respect of each entity, and who is therefore entitled to vote upon them.

There are four sub-committees of the Board: the Nominations Committee, the Finance Committee, the Audit Committee and the Remuneration Committee. The Development Advisory Committee is not an official sub-committee of the Board, but provides useful advice.

The Traidcraft Foundation met twice, one of these meetings being held jointly with the Board. In 2013 the Foundation plans to begin meeting three times each year.

Board membership, attendance and interests

Board and Foundation membership

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

The Board of Traidcraft plc currently consists of four executive directors, who hold key operational positions in the Company, and eight non-executive directors, bringing wider experience and knowledge. Seven of the non-executives are considered independent of any relationship which could interfere with the exercise of their judgment. Geoff Moore, the Foundation Director, who is appointed by the Traidcraft Foundation (see below), is not deemed to be independent because of the nature of that appointment. There is also a Staff Director chosen by ballot from all staff, who holds office for a term of two years (renewable once). Paul Spray, Director of Policy of Programmes, attends all meetings but is not a legal director of Traidcraft plc as most of his responsibilities lie within Traidcraft Exchange. This structure provides a balance whereby the Board's decision making cannot be dominated by an individual or small group.

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

The Traidcraft Foundation comprises not less than five trustees (and usually six or seven trustees), each of whom may serve up to two five-year terms.

Directors and trustees in office during the year are listed on page 1.



Nominations Committee

Traidcraft has a Nominations Committee which identifies and proposes candidates for the Boards of Traidcraft plc, Traidcraft Exchange and the Traidcraft Foundation, after consulting with those bodies about the skills and balance of perspectives needed for each.

Membership of the Nominations Committee was as follows:

- Stephen Timms MP - Chair (from September 2012)
- Reg Bailey – Chair (until September 2012)
- Ram Gidoomal
- Margaret Sentamu

Board officers

Margaret Sentamu has been nominated by the Board as the Senior Independent Director, and the person whom any stakeholder can contact about an issue that they do not feel able to raise with the management, Chief Executive or Chair.

Changes in membership

During the past year one new non-executive, David Neale, joined the Board. David was co-opted onto the Board in July 2012 and was subsequently elected to the Boards at the September 2012 AGMs of Traidcraft plc and Traidcraft Exchange. Andy Biggs joined the Boards in April 2013. Alice Ward stood down at the AGMs in September 2012 and Paul Chandler resigned in March 2013. David Bowman, Jayne Mayled and Geoff Moore will stand down at the AGMs in September 2013.

Reg Bailey and Margaret Masson came to the end of their second and final terms as Foundation trustees in October 2012. Stephen Timms MP became Chair of the Foundation at that point. During the year Rosemary Kempself joined the Foundation as a trustee in September 2012. David Nussbaum joined as a trustee of the Foundation in April 2013.

Attendance

	AGM	Board	Finance C'tee	Audit C'tee	Remun. C'tee	Nomin. C'tee
Becky Allon-Smith	1/1	3/3				
Jenny Borden	1/1	5/5		3/3		
David Bowman	1/1	5/5	11/11	3/3		
Larry Bush	1/1	5/5				
Paul Chandler	1/1	5/5	10/11			
Liz Cotton	1/1	4/5			1/1	
Ram Gidoomal	1/1	5/5	11/11			5/5
Simon Grant	1/1	5/5	11/11			
Richard Lofthouse	-	1/1				
Jayne Mayled	1/1	5/5			1/1	
Geoff Moore	1/1	5/5		3/3		



David Neale	1/1	4/4			1/1	
Joe Osman	1/1	5/5				
Margaret Sentamu	1/1	5/5				5/5
Mags Vaughan	1/1	5/5	11/11			
Alice Ward	1/1	1/3				
<i>Paul Spray</i>	1/1	5/5	5/7			

Executive directors attended and serviced some of the committee meetings, but are only formal members of the Finance Committee, so their attendance is not shown against the Audit, Remuneration and Nominations Committee meetings.

Directors' interests

No director or trustee has an interest in any material contract to which Traidcraft was a party, other than contracts of service and employment. A register of directors' interests is maintained, and all directors are required to disclose any potential conflicts of interest to the Board.

Directors and their families have shareholdings in Traidcraft plc as follows:

	As at 31 March 2012	As at 31 March 2013
David Bowman	2,000	2,000
Paul Chandler	7,705	7,705
Ram Gidoomal	4,200	4,200
Geoff Moore	220	220

No other directors had any shareholdings in Traidcraft plc during the year. Joe Osman jointly owns 110 shares with three other people. These shares are not registered in Joe Osman's name. Although not a director of Traidcraft plc, we also choose to disclose that a member of Paul Spray's family holds 660 shares.

There have been no movements in directors' shareholdings from 31 March 2013 to the date of this report.

ACCOUNTABILITY AND AUDIT

The Board seeks to present a balanced and understandable assessment of the financial position and prospects for Traidcraft plc and Traidcraft Exchange in these reports, going beyond the provision of information required by statute.

Finance Committee

The Finance Committee meets monthly, usually by teleconference, to consider the financial performance of Traidcraft plc and Traidcraft Exchange, examining the management accounts in



more detail than is possible at full Board meetings. Minutes are distributed to all Board members after each committee meeting, and are formally presented to the following Board meeting.

Membership of the Committee is as follows:

- Ram Gidoomal - Chair
- David Bowman
- Paul Chandler
- Simon Grant
- Mags Vaughan
- Paul Spray (*attends quarterly for review of Traidcraft Exchange programme expenditure*)

Audit Committee and Auditors

Membership of the Audit Committee is as follows:

- David Bowman – Chair
- Andy Biggs (joined June 2013)
- Jenny Borden
- Geoff Moore

The joint Audit Committee met three times during the year. All current and previous members of the Audit Committee are non-executive directors of both companies. The terms of reference of the Committee include setting the scope and reviewing the results of the external statutory audit of each company. The Committee also oversees the audit of Traidcraft's Social Accounts. The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to Traidcraft, seeking to balance objectivity and value for money. No non-audit services were supplied by the external auditors in the year under review.

The audit of the financial accounts was last re-tendered in 2009. The Audit Committee and the Board reviewed responses to the tender and based on service quality, value for money and knowledge of Traidcraft, Baker Tilly UK Audit LLP were reappointed on a three year contract. At the end of that contract the Board decided to reappoint Baker Tilly and have agreed a fixed fee for a further three years. Baker Tilly UK Audit LLP have been Traidcraft's auditors since the 2002/03 financial year following the transfer of business from Grant Thornton. We believe auditor independence can be adequately maintained by reviewing the independence of the engagement partner on a regular basis. The audit partner last changed in 2008. A resolution to reappoint Baker Tilly UK Audit LLP as auditors will be proposed to the members of the Company at the Annual General Meeting scheduled for 14 September 2013.

In 2012 it was decided that we would seek to integrate the social accounts and financial accounts into a single document. Following a review of the audit arrangements it was decided that Baker Tilly UK Audit LLP our auditors would check the consistency of figures with our audited accounts, with an external consultant reviewing specific data within the social impact reports relating to producer feedback, beneficiary numbers and project evaluations, developing world purchases and carbon footprint data.



INTERNAL CONTROL AND 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. There are inherent limitations in any control system and accordingly even the most effective systems can only provide reasonable, and not absolute, assurance against material mis-statement or loss.

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 by the Finance Committee, with minutes and monthly management accounts tabled at Board meetings.

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

Traidcraft has established the procedures necessary to implement the guidance issued by the Financial Reporting Council. In addressing the concept of Risk Management in this way the Board is also complying with legal requirement contained in the charities regulations that charity trustees give consideration to the major risks to which the charity is exposed and satisfy themselves that systems or procedures are established in order to manage those risks.

The Board reviews annually and updates the Risk Register, covering all aspects of the Company's business and its operations, including management information systems. Half-yearly updates are then provided to the Board on risks and actions taken. The last full review of the Register was undertaken in May 2013.

Responsibility for managing the risks has been allocated within the executive team and, where appropriate, actions needed have been built into departmental action plans. A total of 86 risks (from the combined Traidcraft plc and Traidcraft Exchange risk register) have been identified. The gross (before internal controls) and net (after internal controls) level of each risk are assessed through a rating scale for impact and likelihood; favourable and adverse trends are noted and the degree to which agreed control actions have been implemented is assessed. Following this review risks are rated by a traffic light system of red, amber and green.

Areas currently identified as being of most concern have been included in the Directors' and Trustees' reports on the overall performance of Traidcraft plc and Traidcraft Exchange respectively.



REMUNERATION REPORT

The remuneration of directors is set out in detail in note 9 of the Traidcraft plc accounts.

Remuneration Committee and Traidcraft remuneration policy

Membership of Traidcraft's Remuneration Committee is as follows:

- Liz Cotton (*Chair from September 2012*)
- Alice Ward (*Chair until September 2012*)
- Jayne Mayled
- David Neale (*from September 2012*)

The Remuneration Committee 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. The Committee also determines the fees of the Chair of the Board. It carries out these aspects of Traidcraft's remuneration policy on behalf of the Board.

All members are non-executive directors. None of them has any personal financial interest in the matters to be decided, potential conflicts of interest arising from cross-directorships, or any day-to-day involvement in running the business. The Chair of the Board is usually invited to attend meetings, unless his own fees are under consideration.

The Committee meets at least once per year. 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 Committee consults the Chief Executive, considers individual performance against objectives and internal relativities within the executive team and in relation to other Traidcraft staff. It has access to administrative support and professional advice from Traidcraft's Head of Human Resources, and obtains independent professional advice from outside Traidcraft.

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 does not believe that performance-related pay is necessary or desirable for motivating its executive team, although the Committee has the discretion to award small bonuses for exceptional performance (as is the case for other staff).

Executive director remuneration

Salaries were last increased in April 2011. No increases were given in either April 2012 or April 2013.

Executive directors are entitled to participate in the same pension arrangements as other UK staff. This involves a percentage (7.5%) of their basic annual salary being paid by Traidcraft to the Traidcraft Group Personal Pension Scheme. Staff are required to contribute at least 3%



of their salaries to the same scheme. All other benefits received by executive directors (paid holidays, sickness benefit, pension etc) are on the same basis as for all other Traidcraft staff employed in the UK.

As a guideline, Traidcraft does not expect the best paid member of staff to be paid more than six times the full time equivalent salary of the lowest paid member of UK staff. This is significantly lower than the norm in UK businesses of comparable scale. The Remuneration Committee also monitors the differential between the best paid member of staff and the median salary in the organization, and the ratio of the average pay of executive directors and the average pay of all other staff. The ratios as at 31 March 2013 are as follows:

	March 2012	March 2013
Highest pay level: lowest pay level	5.3:1	5.1:1
Highest pay level: median pay	3.4:1	3.3:1
Executive average (including chief executive): average all others	2.6:1	2.5:1
Executive average (excluding chief executive): average all others	2.5:1	2.3:1

We note that these ratios are lower than is the norm in most commercial organisations of similar size, but believe this is appropriate in a values-based organization, and indeed that too often directors' remuneration is becoming excessive in many commercial organisations.

Non-executive remuneration

Non-executive directors and Foundation trustees receive no remuneration in respect of their roles on the Boards of Traidcraft Exchange and the Foundation, although they do receive reimbursement of travel and accommodation expenses incurred.

Non-executive directors do receive fees in relation to their work for Traidcraft plc. These are proposed by the Chair of the Board in consultation with the executive directors, and are subject to approval by shareholders in general meeting. Fees were last increased in April 2011. No increase will be proposed at the 2013 AGM.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Traidcraft made no political contributions during the year, and has no intention of making any such donations in future.

Traidcraft plc does not donate any profits to Traidcraft Exchange, rather it retains profits to build its own business to the benefit of its producers. Traidcraft plc does sometimes sell products which include a donation to Traidcraft Exchange - this year, a Christmas Anthology and chocolate Christmas decorations. £2,000 (2012: £5,000) was raised for Traidcraft Exchange from the sale of these products.

Traidcraft plc sold and distributed the Real Easter Egg on behalf of the Meaningful Chocolate Company (MCC). Sales of this product raised a donation from MCC to Traidcraft Exchange of £18,000 (2012: £18,000).



SHAREHOLDERS

There are now around 5,300 individual shareholders in Traidcraft plc. Many of these are also Fair Traders and donors and provide other support to Traidcraft's work. Traidcraft values the views of its shareholders and recognises their interest in our strategy and performance, Board membership and quality of management. We therefore seek regular dialogue with shareholders to discuss our performance and objectives.

Traidcraft plc has one main class of shares, which are 10p Ordinary voting shares. There is also one Guardian Share, which is held by the trustees of the Traidcraft Foundation. The powers of the Guardian Share are protective, designed to reassure shareholders and others that the ethos and Foundation Principles of the Company will be preserved and to protect the Company from a hostile takeover which might jeopardise these. Through the Guardian Share, the trustees of the Traidcraft Foundation must give specific agreement to changes in the Articles of Association, to appointments of directors and of the Chair of the Boards, and to any fundamental change to the strategic direction or operation of the Company.

Full details of the authorised and issued share capital are given in note 19 to these financial statements. All shareholders can gain access to the Company's annual reports and other information about Traidcraft through its website, www.traidcraft.co.uk.

Shareholders wishing to buy or sell shares may do so through a Match Bargain service. In February, Ethex, an ethical investment club, took over from Brewin Dolphin to provide this service. From 2003 to 2008 there was a regular turnover in shares (up to 50,000 per year), with most of those wanting to sell finding a buyer within 12 months. Since the advent of the recession, however, there have been few buyers. Currently there are some 104,000 shares, held by 14 shareholders, on the register, plus 86,000 in Traidcraft Exchange's name. The oldest sellers on the sales register have been listed since September 2008. 35,000 shares were traded in the past 12 months.

The Traidcraft Board is looking at ways in which liquidity can be improved. Traidcraft is a founder member of Ethex an ethical investment club. We hope that Ethex will provide a market for those wishing to buy or sell our shares. Ethex started providing their service for buying and selling Traidcraft shares in February 2013, since then 8,000 shares have been traded up to 31 March 2013.

47 shareholders attended the AGM with another 960 shareholders casting their vote by proxy. This represents 20% of shareholders voting at our AGM.



CREDITOR PAYMENTS

Traidcraft's policy is to pay invoices in accordance with terms agreed in advance with suppliers, or more quickly. Agreed payment terms are typically 30 days. Traidcraft plc also makes advance payments (when requested) to its developing world suppliers to assist with their working capital requirements.

Using the creditors outstanding at the year end, plc creditor days stood at an average 30 days (2012: 27 days); for Traidcraft Exchange creditor days stood at 15 days (2012: 46 days).

The high figure for Traidcraft Exchange in 2012 was distorted by an unusual number of invoices received in March and still within their payment terms at the year end. Trade creditors in the previous three month period (December 2011 to February 2012) averaged £13,000 which would give a creditor days figure of 13 days.



DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS

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

GOING CONCERN STATEMENT: TRAIDCRAFT PLC

After making enquiries, the Board of Directors has a reasonable expectation that the company 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.

The directors are aware of the general concern affecting the assessment of the going concern basis for all businesses and have therefore taken particular care in reviewing the going concern basis. When reviewing their decision they have taken the following factors into account:



-
- The company 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 are well within facility limits.
 - During the year Traidcraft plc had no difficulty in renewing its overdraft facility with HSBC plc. The directors are confident this facility will be renewed on its anniversary date of 31 July 2013.
 - Traidcraft plc has a buyer credit facility with Shared Interest Society Ltd. The directors are confident this will be renewed, at an adequate level, at its anniversary date in October 2013.
 - To date Traidcraft has not breached any of its limits with its bankers nor does it forecast to.
 - Traidcraft plc has net assets of over £4.2m against which borrowings are secured.
 - Included in the net assets are two buildings which Traidcraft plc owns. These buildings are not included at their market value in the financial statements. The directors believe that the current market value of these two buildings could be used to support a higher overdraft facility if necessary.
 - Traidcraft has not encountered any difficulty in paying its trade creditors within agreed payment terms.

**On behalf of the Board,
Simon Grant
Company Secretary
18 July 2013**



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TRAIDCRAFT PLC

We have audited the financial statements on pages 62 to 83. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As more fully explained in the Directors' Responsibilities Statement, set out on page 58, the directors 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.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CLAIRE LEECE (Senior Statutory Auditor)

For and Behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Registered Auditor

Chartered Accountants

1 St James' Gate

Newcastle upon Tyne

NE1 4AD



BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention, modified to include the revaluation of certain land and buildings.

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

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

As described in the directors' report on page 13 the current economic environment is difficult and the company has reported an operating loss in each of the last two years. The directors have considered the present outlook for the business and the challenges it faces. Cashflow projections have been prepared for the year ahead which show we will be operating well within our facility limits.

Therefore after making enquiries and considering the uncertainties mentioned above, the Board of Directors has a reasonable expectation that the company 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 Governance Report for further details.

TURNOVER

Turnover is the total amount receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts.

Commission receivable on licensed products, disclosed under other operating income, is the total amount of royalty earned by the Company from the sale of Traidcraft branded products, excluding VAT.

DEPRECIATION

Tangible fixed assets are stated at cost or valuation, net of any depreciation and any provision for impairment. 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. The annual charges are based on:

Long leasehold and leasehold improvements	2.5-10%
Plant and Machinery	10%
Office and computer equipment	10-25%

INVESTMENTS

Investments are valued at cost. See note 11.



STOCKS

Goods held for resale are stated at the lower of cost and net realisable value. Packing materials have been valued at cost. Cost includes freight charges, duty and intermediate packing costs.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on a non-discounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

RETIREMENT BENEFITS

For defined benefit schemes the amount charged to the profit and loss account 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 Total Recognised Gains and Losses.

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 company operates a group personal pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions made in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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 either the effective contractual rate or the rate of exchange ruling at the balance sheet date.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a



constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as 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.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as 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.

TRAIDCRAFT PLC**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2013



	Note	2013 £000	2012 £000
Turnover	1	12,797	13,351
Commissions payable	2	(108)	(127)
		<hr/>	<hr/>
		12,689	13,224
Cost of sales		(7,989)	(8,261)
		<hr/>	<hr/>
Gross profit		4,700	4,963
Distribution costs	3	(668)	(676)
		<hr/>	<hr/>
		4,032	4,287
Administration expenses	4	(4,759)	(5,151)
Other operating income	5	428	532
		<hr/>	<hr/>
Operating loss		(299)	(332)
Interest receivable and similar income	6	3	2
Interest payable and similar charges	7	(2)	(3)
Other finance charges	18	(8)	-
		<hr/>	<hr/>
Loss before taxation		(306)	(333)
Taxation	8	(36)	(44)
		<hr/>	<hr/>
Loss for the financial year		(342)	(377)

Turnover and operating profit are derived from the Company's continuing operations. There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The accompanying accounting policies and notes form an integral part of these financial statements.



STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2013

	Note	2013 £000	2012 £000
Loss for the financial year		(342)	(377)
Actuarial gain/(loss) in respect of defined benefit pension scheme	18	244	(349)
Deferred tax in respect of actuarial gain/(loss) on defined benefit pension scheme		<u>(49)</u>	<u>70</u>
Total recognised losses relating to the year		<u>(147)</u>	<u>(656)</u>

The accompanying policies and notes form an integral part of these financial statements.



BALANCE SHEET AT 31 MARCH 2013

Company number 01333367

	Note	2013 £000	2012 £000
Fixed assets			
Tangible assets	10	1,129	1,255
Investments	11	-	-
Current assets			
Stocks	12	1,987	2,144
Debtors	13	1,556	1,605
Cash at bank and in hand	14	1,171	1,311
		4,714	5,060
Creditors: amounts falling due within one year			
Loans	15	(8)	(29)
Creditors	16	(1,262)	(1,239)
		(1,270)	(1,268)
Net current assets		3,444	3,792
Net assets excluding pension liability		4,573	5,047
Net pension liability	18	(323)	(650)
Net assets including pension liability		4,250	4,397
Capital and reserves			
Called up share capital	19	489	489
Share premium account	21	2,730	2,730
Capital redemption reserve	21	1,477	1,477
Profit and loss account excluding pension reserve		(123)	351
Pension reserve	18	(323)	(650)
Profit and loss account including pension reserve	21	(446)	(299)
Shareholders' funds	21	4,250	4,397

The financial statements on pages 62-83 were approved by the Board of Directors and authorised for issue on 18 July 2013 and are signed on its behalf by:

Ram Gidoomal, Chair

The accompanying accounting policies and notes form an integral part of these financial statements.

TRAIDCRAFT PLC**CASH FLOW STATEMENT**For the year ended 31 March 2013

	Note	£000	2013 £000	£000	2012 £000
Net cash (outflow)/inflow from operating activities			(73)		329
Returns on investments and servicing of finance					
Interest received		3		2	
Interest paid		(2)		(3)	
Interest element of finance lease rental payments		-		-	
Net cash inflow/(outflow) from returns on investments and servicing of finance			1		(1)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(47)		(86)	
Sale of tangible fixed assets		-		-	
Net cash outflow from capital expenditure and financial investment			(47)		(86)
Dividend Paid			-		(98)
Financing					
Loans repaid		(21)		-	
Loans drawn down		-		29	
Capital element of finance leases		-		(1)	
Net cash (outflow)/inflow from financing			(21)		28
(Decrease)/increase in cash	22		(140)		172
Note – Reconciliation of operating loss to net cash (outflow)/inflow					
Operating loss before interest			(299)		(332)
Depreciation charges			174		174
Loss/(profit) on disposal of assets			-		1
Contributions paid into closed pension scheme			(172)		(174)
Decrease in stocks			157		457
Decrease in debtors			46		420
Increase/(decrease) in creditors			22		(217)
Net cash (outflow)/inflow from operating activities			(73)		329

The accompanying accounting policies and notes form an integral part of these financial statements.



For the year ended 31 March 2013

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1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is attributable to the sale of products acquired from suppliers in developing countries, the UK and mainland Europe, in accordance with the stated objectives of the Company. Analysis of turnover by product type is as follows:

	2013 £000	2012 £000
Fair Trade sales:		
Food	6,092	6,388
Beverages	2,363	2,494
Crafts, clothing and hand-made paper	3,019	2,933
Non-food consumables	80	80
	<u>11,554</u>	<u>11,895</u>
Non-Fair Trade sales:		
Cards and calendars	935	1,097
Recycled paper products	263	288
Sundry	45	71
	<u>12,797</u>	<u>13,351</u>

Turnover broken down by geographical area is as follows:

	2013 £000	2012 £000
UK	12,264	13,032
Other EU countries	325	185
Rest of the world	208	134
	<u>12,797</u>	<u>13,351</u>

Turnover of Traidcraft licensed products, which is not included as turnover in these financial statements, is as follows:

	2013 £000	2012 £000
Geobars & cookies (Northumbrian Fine Foods)	1,141	1,825
FairBreak wafers (Rivington Biscuits)	24	22
Fruit Passion (Gerber Juice Company)	-	54
Recycled paper products (Accrol Paper)	3	-
Charcoal (Rectella)	863	1,220
Rubber Gloves (BM Polyco)	79	69
Confectionery (Big Bear Confectionery)	8	70
Cereals (Alara)	-	71
Tea (Ringtons)	13	8
Other	315	288
	<u>2,446</u>	<u>3,627</u>

The commission income from these sales is disclosed in note 5.

NOTES TO THE FINANCIAL STATEMENTS



TRAIDCRAFT
Fighting poverty through trade

For the year ended 31 March 2013

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1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)

The loss on ordinary activities is stated after (charging)/crediting:

	2013	2012
	£000	£000
Depreciation	(174)	(177)
Auditors' remuneration – statutory audit	(19)	(18)
Foreign exchange gain	9	12

2 COMMISSIONS PAYABLE

Traidcraft plc pays a commission to Christian Aid, CAFOD and SCIAF on sales resulting from the distribution of mail order catalogues to supporters of those charities and also pays them a percentage of the income generated from jointly-branded Christmas cards and calendars.

3 DISTRIBUTION COSTS

	2013	2012
	£000	£000
Packing materials	(104)	(123)
Carriage	(695)	(754)
	(799)	(877)
Less: charges made for packing and carriage	131	201
	(668)	(676)



For the year ended 31 March 2013

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4 ADMINISTRATION EXPENSES

	2013	2012
	£000	£000
Salaries and wages (note 9)	(2,448)	(2,630)
Pension costs (note 18)	(183)	(184)
Directors' fees and travel	(35)	(33)
Recruitment, training and staff welfare	(45)	(58)
Catalogues and advertising	(693)	(819)
Travel	(51)	(79)
Telephone, postage and general charges	(444)	(391)
IT maintenance	(154)	(177)
Rent, rates, utilities and building costs	(225)	(241)
Bank, credit and insurance charges	(115)	(124)
Professional fees	(108)	(159)
Audit and accountancy	(19)	(18)
Social audit	(2)	(6)
Producer support	(51)	(48)
Doubtful debt charge	(10)	(4)
Depreciation	(174)	(174)
Loss on disposal of fixed assets	-	(1)
Donations	(2)	(5)
	<u>(4,759)</u>	<u>(5,151)</u>

5 OTHER OPERATING INCOME

	2013	2012
	£000	£000
Rent and service charges receivable from Traidcraft Exchange	45	41
Commission receivable on licensed products	370	481
Other	13	10
	<u>428</u>	<u>532</u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	2012
	£000	£000
Interest receivable	<u>3</u>	<u>2</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£000	£000
Bank interest	<u>(2)</u>	<u>(3)</u>



For the year ended 31 March 2013

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8 TAXATION

	2013 £000	2012 £000
UK corporation tax on income for the period at 20%	-	-
Deferred tax relating to closed pension scheme provision	(33)	(35)
Deferred tax (note 17)	(3)	(9)
	<u>(36)</u>	<u>(44)</u>

The tax assessed for the year is lower than the applicable rate of corporation tax in the UK of 20%. The differences are explained below:

	2013 £000	2012 £000
Loss on ordinary activities before tax	<u>(306)</u>	<u>(333)</u>
Loss on ordinary activities multiplied by the standard rate of UK tax 20%	(61)	(66)
Effects of:		
Losses not utilised	85	101
Depreciation for the year in excess of capital allowances	9	-
General provisions	1	-
Increase in profits due to FRS17	<u>(34)</u>	<u>(35)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

The company has an unprovided deferred tax asset of £187,000 at 31 March 2013 (2012 - £101,000) available to be utilised against future profits as they arise. As it is not known with certainty what the pattern of future profitability will be, the losses have not been recognised as a deferred tax asset in the financial statements, but this will be reassessed on an annual basis.

9 STAFF COSTS

The average number of employees (including executive directors) during the year and their payroll costs were:

	2013	2012
Full time	77	81
Part time	27	34
Temporary	-	1
	<u>104</u>	<u>116</u>
	2013 £000	2012 £000
Wages and salaries	2,070	2,238
National Insurance	186	221
Agency Staff	192	171
Pension costs (note 18)	<u>183</u>	<u>184</u>
	<u>2,631</u>	<u>2,814</u>



For the year ended 31 March 2013

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9 STAFF COSTS (CONTINUED)

Remuneration in respect of directors was as follows:

	Remuneration			2012 £	Pensions	
	Salary £	Allowances £	2013 £		2013 £	2012 £
Executive:						
Paul Chandler**	69,369	225	69,594	71,175	5,203	5,325
Larry Bush	50,240	-	50,240	50,240	3,768	3,768
Simon Grant	51,120	-	51,120	51,120	3,834	3,834
Joe Osman	46,680	225	46,905	47,030	3,501	3,501
Mags Vaughan	51,624	-	51,624	51,624	3,872	3,872
Non-executive:						
Jenny Borden	3,250	-	3,250	*2,979	-	-
David Bowman	3,250	-	3,250	3,250	-	-
Liz Cotton	3,250	-	3,250	3,250	-	-
Ram Gidoomal	7,500	-	7,500	*4,375	-	-
Jayne Mayled	3,250	-	3,250	3,250	-	-
Geoff Moore	3,250	-	3,250	5,375	-	-
David Neale*	2,437	-	2,437	-	-	-
Margaret Sentamu	3,250	-	3,250	3,250	-	-
Alice Ward*	1,625	-	1,625	3,250	-	-
Staff Director:						
Becky Allon-Smith*	11,592	-	11,592	*8,004	845	584
Richard Lofthouse*	6,167	-	6,167	-	378	-
Paul Oliver	-	-	-	*23,325	-	-
	317,854	450	318,304	331,497	21,401	20,884

*Part year only

** Reduced hours account for reduction in salary.

During the year one director (2012 - one director) was a deferred member of the Company's closed defined benefit pension scheme (note 18).

Allowances are overseas travel allowances.



For the year ended 31 March 2013

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10 TANGIBLE FIXED ASSETS

	Long Leasehold Kingsway £000	Long Leasehold Queensway £000	Plant and machinery £000	Office & computer equipment £000	Total £000
Cost or valuation					
At 1 April 2012	933	969	373	716	2,991
Additions	4	-	-	43	47
Disposals	(8)	-	(16)	(32)	(56)
At 31 March 2013	929	969	357	727	2,982
Depreciation					
At 1 April 2012	701	208	300	527	1,736
Provided in the year	35	27	23	89	174
Eliminated on disposals	(9)	-	(16)	(32)	(57)
At 31 March 2013	727	235	307	584	1,853
Net book amount at 31 March 2013	202	734	50	143	1,129
Net book amount at 31 March 2012	232	761	73	189	1,255

The Kingsway and Queensway buildings are situated on the Team Valley Trading Estate, Gateshead.

In 1990 the long leasehold property at Kingsway was valued by Strachans (Newcastle) Limited on an existing use basis at £460,000, and this valuation is included together with leasehold improvements in the totals above. If the property was realised at this valuation on the balance sheet date no liability to Corporation Tax on capital gains tax would arise.

The company has taken advantage of the transitional provisions of Financial Reporting Standard 15 "Tangible Fixed Assets" and retained the book amounts of certain freehold properties which were revalued prior to the implementation of that standard. The property at Kingsway was last revalued in March 1990 and the valuation has not subsequently been updated.

Under the historic cost accounting convention the following asset values would apply to the Kingsway property:

	2013 £000	2012 £000
Cost	767	771
Accumulated depreciation	(634)	(612)
Net book value on historic basis	133	159

11 INVESTMENTS

Traidcraft plc holds 10% (10 "B" shares) of the share capital of Paper Dove Company Limited, a company registered in England, formed by a management buy-out during 1997. The nominal value and cost of the shareholding is £10. Dividend income of £nil (2012 - £nil) has been recognised.



For the year ended 31 March 2013

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12 STOCKS

	2013	2012
	£000	£000
Goods for resale	1,958	2,121
Packing materials	29	23
	<u>1,987</u>	<u>2,144</u>

13 DEBTORS

	2013	2012
	£000	£000
Trade debtors	949	974
Advance payments to producers*	317	385
Other debtors	5	16
Prepayments and accrued income	233	166
Amounts owed by Traidcraft Exchange (note 26)	52	64
	<u>1,556</u>	<u>1,605</u>

* In common with other Fair Trade organisations, Traidcraft makes advance payments to a number of its overseas suppliers to finance working capital requirements whilst orders are in production. In the year ended 31 March 2013 29 overseas suppliers (2012 – 39 suppliers) received such advances.

14 CASH AT BANK AND IN HAND AND BANK OVERDRAFT

The Company's bankers HSBC retain a fixed and floating charge over the assets of Traidcraft plc, which can be used in the future as security for any borrowing facility.

15 LOANS

	2013	2012
	£000	£000
Due within one year:		
Shared Interest Society Limited	<u>8</u>	<u>29</u>

Shared Interest Society Limited provides a producer purchase credit facility to finance purchase orders placed by Traidcraft with producers.



For the year ended 31 March 2013

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16 CREDITORS

	2013 £000	2012 £000
Creditors: amount falling due within one year:		
Trade creditors	848	820
Payments received on account	99	121
Amounts owed to Traidcraft Exchange (note 26)	4	10
Other taxation and social security	180	174
Accrued expenses	131	114
	1,262	1,239

17 PROVISIONS

	2013 £000	2012 £000
At 1 April 2012	3	12
Deferred tax movement	(3)	(9)
At 31 March 2013	-	3

18 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.

The triennial actuarial valuation prepared as at 1 April 2010 indicated that the scheme is approximately 61% funded against technical provisions with a deficit of £2,215,000. As part of the triennial valuation process the company made a one-off lump sum payment of £325,000 in March 2011. The agreed ongoing funding to be paid by the employer is £220,000 per annum which is intended to bring the scheme up to a fully-funded position by 31 March 2023. The total charge for the year paid by Traidcraft relating to this scheme, including administration costs, was £269,000 (2012 - £270,000). This cost is divided between Traidcraft plc and Traidcraft Exchange, according to the prevailing advice about the split of liabilities in the scheme. Traidcraft plc expects to contribute £171,600 to its defined benefit pension plan in the year to 31 March 2014. It should be noted that the deficit calculated in the triennial valuation and the deficit calculated under FRS17 differ as the two methods require different assumptions to be used.



For the year ended 31 March 2013

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18 PENSIONS (CONTINUED)

The Financial Reporting Standard 17 “Retirement Benefits” (FRS 17) requires that the following further disclosure is made about the closed defined benefit pension scheme. The actuarial valuation has been updated by the qualified scheme actuary to 31 March 2013. Assumptions used were:

	Value at 31 March 2013 (per annum)	Value at 31 March 2012 (per annum)	Value at 31 March 2011 (per annum)
Rate of increase of pensions accrued post 5 April 1997	2.15%	2.8%	3.5%
Rate of revaluation of deferred pensions	2.15%	2.8%	3.5%
Discount rate	4.3%	4.75%	5.5%
Inflation assumption	2.15%	2.8%	3.5%

The amounts recognised in the balance sheet are as follows:

	2013 £000	2012 £000
Present value of funded obligations	(4,557)	(4,395)
Fair value of scheme assets	4,153	3,583
Gross deficit in the scheme	(404)	(812)
Related deferred tax asset 20%	81	162
Net deficit in the scheme	(323)	(650)

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

	2013 £000	2012 £000
Opening defined benefit obligation	(4,395)	(4,036)
Interest on scheme liabilities	(206)	(216)
Actuarial loss	(80)	(352)
Benefits paid	124	209
Closing defined benefit obligation	(4,557)	(4,395)

The Pension Scheme’s rules set out that the inflationary adjustment of benefits is determined by reference to the Occupational Pensions (Revaluation) Order, published by the Government each year. The Government has recently changed the inflationary measure in the Occupational Pensions (Revaluation) Order from the Retail Price Index (RPI) to the Consumer Prices Index (CPI). Following this change the Company has taken legal advice, and in line with the Scheme rules, the indexation of benefits will in future be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The Company has concluded that as a result of this change, a revised actuarial assumption about the level of inflation indexation can be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses (‘STRGL’). The relevant amount in respect of the Company is £270,000. This amount is included in the net actuarial loss of £80,000 shown above.



For the year ended 31 March 2013

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18 PENSIONS (CONTINUED)

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

	2013 £000	2012 £000
Opening fair value of scheme assets	3,583	3,399
Expected return on scheme assets	198	216
Contributions by employer	172	174
Actuarial gains	324	3
Benefits paid	(124)	(209)
Closing fair value of scheme assets	<u>4,153</u>	<u>3,583</u>

Amounts charged to the profit and loss account:

	2013 £000	2012 £000
Interest on obligation	(206)	(216)
Expected return on assets	198	216
Total operating cost	<u>(8)</u>	<u>-</u>

Amounts charged to the statement of recognised gains and losses are as follows:

	Company		Cumulative	
	2013 £000	2012 £000	2013 £000	2012 £000
Actuarial gains/(losses)	<u>244</u>	<u>(349)</u>	<u>(537)</u>	<u>(781)</u>

The major categories of plan assets as a percentage of total plan assets attributable to Traidcraft plc in the defined benefit scheme and their expected rates of return were:

	Expected rate of return at 31 March 2013	Proportion of assets at 31 March 2013	Fair Value at 31 March 2013 £000	Expected rate of return at 31 March 2012	Proportion of assets at 31 March 2012	Fair Value at 31 March 2012 £000
Equities	6.3%	70.6%	2,931	6.8%	71.1%	2,546
Bonds	2.8%	26.9%	1,117	2.8%	22.6%	810
Other	0.5%	2.5%	<u>105</u>	0.5%	6.3%	<u>227</u>
Total market value of assets			<u>4,153</u>			<u>3,583</u>

The overall expected long term return on plan assets is a weighted average of the expected long term returns for equity securities, debt securities and other assets. The above values exclude AVC's and net current assets.



For the year ended 31 March 2013

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18 PENSIONS (CONTINUED)

History of asset values, present value of liabilities and deficit:

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Defined benefit obligation	(4,557)	(4,395)	(4,036)	(3,990)	(2,634)
Fair value of scheme assets	4,153	3,583	3,399	2,787	2,216
Gross deficit in the scheme	(404)	(812)	(637)	(1,203)	(418)
Related deferred tax asset 20% (2009-2011 - 21%)	81	162	127	253	88
Net deficit in the scheme	(323)	(650)	(510)	(950)	(330)
	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Difference between actual and expected return on assets	324	3	181	493	(924)
Experience gains on liabilities	2	(81)	(19)	(67)	15
Total amount recognised in STRGL	244	(349)	249	(821)	(293)

Principal demographic assumptions:

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

	2013	2012
<i>Males</i>		
Current pensioners	21.0	21.0
Future pensioners	22.9	22.8
<i>Females</i>		
Current pensioners	24.3	24.2
Future pensioners	26.2	26.1

Defined contribution scheme (current scheme):

At 31 March 2001 Traidcraft closed entry to the old 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% (2012 - 7.5%). Contributions of £137,000 were incurred during the year (2012 - £138,000) and this cost, together with death in service insurance and administration charges relating to the closed scheme, comprise the pension cost of £183,000 (2012 - £184,000) shown in note 4.



For the year ended 31 March 2013

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19 SHARE CAPITAL

	2013 £	2012 £
Authorised:		
9,999,990 Ordinary shares of 10p each	999,999	999,999
Guardian Share of £1	1	1
	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
4,891,620 Ordinary shares of 10p each	489,162	489,162
Guardian Share of £1	1	1
	<u>489,163</u>	<u>489,163</u>

The Guardian Share has special rights and these are described in the Governance Report.

20 DIVIDENDS

	2013 £000	2012 £000
Ordinary dividend paid	-	98

The directors do not recommend a dividend to be paid this year.

21 RESERVES AND SHAREHOLDERS' FUNDS

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Share- holders' funds £000
At 1 April 2012	489	2,730	1,477	(299)	4,397
Loss for the year	-	-	-	(342)	(342)
Actuarial gain	-	-	-	195	195
At 31 March 2013	<u>489</u>	<u>2,730</u>	<u>1,477</u>	<u>(446)</u>	<u>4,250</u>



For the year ended 31 March 2013

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22 STATEMENT OF CASH FLOW

	Cash at bank and in hand £000	Debt £000	Total £000
Analysis of change in net funds:			
At 1 April 2012	1,311	(29)	1,282
Cash flow	(140)	21	(119)
At 31 March 2013	<u>1,171</u>	<u>(8)</u>	<u>1,163</u>
Reconciliation of net inflow to movement in net funds:			
		2013 £000	2012 £000
(Decrease)/increase in cash in the year		(140)	172
Cash outflow/(inflow) from financing		21	(29)
Cash outflow from finance lease		-	1
Change in net funds resulting from cash flows		(119)	144
Net funds at 1 April 2012		<u>1,282</u>	<u>1,138</u>
Net funds at 31 March 2013		<u>1,163</u>	<u>1,282</u>

23 CONTINGENT LIABILITIES

At the year-end contingent liabilities existed in respect of indemnities given by HSBC on behalf of Traidcraft plc to HM Revenue and Customs to the value of £50,000 (2012 - £50,000), and to the Rural Payments Agency of £5,000 (2012 - £5,000).

Traidcraft plc is the principal employer within the combined Traidcraft defined benefit pension scheme (note 18). This means that in the event of Traidcraft Exchange, the participating employer, being unable to fund its share of the liabilities in the scheme, currently £14,000 (2012 - £213,000), Traidcraft plc would have to meet this liability. This is not an outcome which the directors of Traidcraft plc believe is likely to occur – Traidcraft Exchange’s latest accounts show unrestricted reserves considerably greater than this liability, and it remains a going concern able to meet its obligations.

24 OTHER FINANCIAL COMMITMENTS

Traidcraft has approved a capital expenditure budget for the year to 31 March 2014 of £47,000 (2013 - £47,000).

The Company has obligations under operating leases in respect of the next financial year as follows:

	2013 £000	2012 £000
Expiring within one year	-	2
Expiring in 2-5 years	16	17
	<u>16</u>	<u>19</u>

TRAIDCRAFT PLC

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 March 2013

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25 FINANCIAL INSTRUMENTS

The Company has undertaken to purchase US Dollars amounting to \$1,200,000 (2012 - \$2,950,000) and €470,000 (2012 - €430,000) over the next twelve months in order to hedge its exposure to foreign currency fluctuations.

	2013 £000	2012 £000
Gains/(losses) arising in the year not recognised	36	(37)
Fair value/unrecognised gains/(losses) on hedges at 31 March 2013	<u>36</u>	<u>(37)</u>

26 TRANSACTIONS WITH RELATED PARTIES

Traidcraft Exchange

Traidcraft Exchange, a registered charity, is a subsidiary of the Traidcraft Foundation, a charitable Trust which controls the Guardian Share in Traidcraft plc (note 27).

Transactions with Traidcraft Exchange during the year were as follows:

	2013 £	2012 £
Purchases from Traidcraft Exchange	98,493	30,025
Rent charge	44,571	41,425
Sales to Traidcraft Exchange	209,288	188,758
Donations to Traidcraft Exchange	2,084	4,636
Net balances owed by Traidcraft plc at 31 March	<u>(47,195)</u>	<u>53,706</u>

Directors

The following directors were entitled to receive a dividend from Traidcraft plc during the year:

	2013 £	2012 £
David Bowman	-	40
Paul Chandler	-	154
Geoff Moore	-	4
	<u>-</u>	<u>198</u>

Further information on Director's shareholdings is given in the Report of the Directors.

27 CONTROLLING PARTY

The Traidcraft Foundation controls the Guardian Share in Traidcraft plc and also holds 1,000 ordinary shares. The Guardian Share gives protective rights and does not confer control over the Company. Therefore the directors are of the opinion that there is no controlling party.



For the year ended 31 March 2013

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28 FINANCIAL RISK

Traidcraft's policy towards financial risk is detailed in the Governance Report on pages 48 to 57.