Company number SC141496

Cafédirect plc

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

John Philips (Chair) (appointed 10 April 2018)
Hendrik Baron de Kock (appointed 10 April 2018)
Belinda Gooding
Lebi Hudson
John Shaw
John Steel
Lenin Tocto Minga
Bart Van Eyk (resigned 10 April 2018)
Jeffrey Halliwell (resigned 10 April 2018)

SECRETARY

James Nixon (appointed 28 June 2018)
John Dunlop (resigned 28 June 2018)

REGISTERED OFFICE

4th Floor, 115 George Street
Edinburgh EH2 4JN

BUSINESS ADDRESS

Industry House
21 Whiston Road
London
E2 8EX

AUDITOR

Crowe UK LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

REGISTRAR

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

SOLICITOR

Wrigley's Solicitors LLP
19 Cookridge Street
Leeds LS2 3AG

BANKERS

Triodos Bank NV
Deanery Road
Bristol
BS1 5AS

NatWest Bank plc
15 Bishopsgate
London EC2P 2AP

BUSINESS REVIEW

The company's turnover for the year ended 31 December 2018 was £13.1m, which was a 1.9% increase compared with 2017. Cafédirect achieved strong growth in the Grocery Retail sector, increasing sales by 7.2% versus the prior year, and with improved focus on e-Commerce delivering revenues 22.5% higher than 2017. Smaller convenience store sales also saw growth of 18%, completing a very positive picture for Cafédirect's domestic core retail business overall.

Growth in the UK retail sector accelerated in particular in the second half of the year, with an increase in market share of 12% compared with 2017 developing further to 17% by the last quarter. This has been the result of the successful rebranding of packaging design and improved engagement with the key accounts.

Offsetting these successes, Cafédirect experienced a challenging year in its UK Foodservice and International divisions, declining by 10.1% and 7.8% respectively.

UK Foodservice remains a key channel for the success of the business, since it provides an opportunity for Cafédirect to engage with consumers and communicate its message outside of traditional marketing activities. The Executive did however identify various shortcomings in the Company's approach to managing this channel and took actions to address during the year, with an expectation that these changes will bring revenue opportunities starting in the first half of 2019. These include an increase in sales resource, streamlining the business model, investing in new sector opportunities (such as business and industry) and fuller marketing engagement to improve brand visibility in outlets and align messaging versus the company's UK Retail business.

International revenues declined in the year which is reflective of the challenges involved in managing and developing the markets from a UK base and with limited funding to engage consumers through marketing actions. Cafédirect does though, retain a secure base of core customers and markets, and reliable revenue streams, including those acquired as part of the London Tea Company acquisition in May 2017 and as a result of business development in Hong Kong and Singapore where Cafédirect coffee products are stocked in key retailers.

Most significantly, Cafédirect earned a profit in 2018 of £218k (2017: £343k loss). This is the first year that the Company has delivered a surplus since 2009 and demonstrates a notable trajectory in profit improvement from a low point for the business in 2015 where it recorded trading losses of £1.2m.

The above profit is net of a £29,233 successful fraud attempt against the Company where a third party impersonated a supplier and intercepted email conversations. This resulted in an erroneous change of bank account and an irrecoverable loss. This event was fully investigated and actions taken to mitigate risk of reoccurrence (see report of the Audit Committee on pages (15-17).

With its working capital position secured following the financial restructuring of the business, and a rights issue in 2017, then bringing about a high level of focus around cost and sales effort, configuring the business to deliver scalable and profitable growth, Cafédirect has afforded itself the freedom to pursue its longstanding purpose of achieving commercial success in order to fund pioneering activities aimed at making a real difference in the world and promoting business as a force for good.

Realising that it is important to deliver real meaning behind its claims, Cafédirect continues to support the lives and wellbeing of producer growers, through Fairtrade premiums and via donations to its farmer led charitable organisation - Producers Direct; significant sums that deliver real impact. It has also celebrated some very important wins in 2018, achieving B Corporation certification in June 2018 – the first UK coffee company to do so, and then going on to be named as UK Social Enterprise of the Year at the UK Social Enterprise Awards in November. Cafédirect also won the International Impact Award at the same event.

The above are bound into specific commitments and actions which are time bound and measurable. They are also deliverable in the short term. Success in delivering these actions will be reported upon in Cafédirect's Annual Impact Report.

In respect of the longer term 2030 vision, proposals have been made in draft for consideration by the Board of Directors and the Guardian Share Company, as a starting point to collaborate closely with Producers Direct to create a shared plan. As with the short term actions, progress with long term plans will be reported in the Annual Impact Report.

The Annual Impact Report is in progress and will be presented to shareholders at the Annual General Meeting planned during June 2019.

KEY PERFORMANCE INDICATORS

The company's key financial performance indicators, which are closely monitored throughout the year and measured against pre-set targets, include:

- Sales values, analysed by product group and key sectors such as UK retail, UK out-of-home and international;
- Gross profit, both in absolute terms and as a percentage of sales;
- The level of administration expenses, looking at the ongoing UK business separately from other costs;
- Operating profit and profit before tax;
- The level of working capital employed, both in absolute terms and as a percentage of sales; and
- Cash generated by the business.

The company's performance in 2018 against most of these indicators is set out in the Business Review section.

In addition, the company has a number of other key performance indicators, with the company's performance against these indicators sometimes being called the company's "social return". These include:

- The amounts paid by Cafédirect for its coffee, tea and cocoa raw materials over and above market prices. These amounts include, but are not necessarily restricted to Fairtrade premiums;
- The amount donated to Producers Direct – the charity that it founded; and
- The volume of coffee, tea and cocoa raw materials purchased from growers.

Performance in 2018 against these indicators is set out in the 'Benefits to Growers' section below.

BENEFITS TO GROWERS

As a Fairtrade company, Cafédirect meets all the requirements laid down by the Fairtrade Labelling Organisation (FLO), including the payment of Fairtrade premiums for coffee, tea and cocoa raw materials. In 2018, Cafédirect paid Fairtrade premiums of £447,509 (2017: £406,094). In addition, Cafédirect continued to increase its commitment to Organic, including payment of Organic Premiums of £234,459 (2017 £214,974).

Cafédirect is unique because of its donation to Producers Direct. Producers Direct (formerly the Cafédirect Producers' Foundation (CPF), is a producer-led charity which is overseen by trustees some of whom are themselves coffee and tea growers. Cafédirect donates money to Producers Direct, which decides how best to use the money to run its operations including its producer led Centres of Excellence model, which is the heart of maximising impact with smallholder farmers. Typically, grower organisations lead these Centres of Excellence to enable farmers to learn from farmers.

This is a key element of delivering the company's goal of empowering disadvantaged smallholder producers. It also more broadly supports disadvantaged smallholder communities, not just growers who supply product to Cafédirect, as the benefits of Producers Direct are widely shared. In 2018, Cafédirect made donations of £100,000 to Producers Direct (2017 £150,000) to support these charitable programmes.

Producers Direct has been able to leverage Cafédirect's unrestricted support for operating costs by raising additional third party funds to support expanded programme activities for the benefit of farmer organisations.

Cafédirect's Articles of Association determine that one third of its profits shall be allocated to strengthening smallholder grower organisations in developing countries. This sum has been exclusively donated to Producers Direct since its formation. The formula has been modified since 2010 due to Cafédirect incurring losses in order to assure the Charity's survival . The Directors of Cafédirect are optimistic that a return to this formula can in future obviate the need for special consideration and funding, and deliver a more predictable revenue stream to the Producers Direct.

The above actions and commitments contribute to the achievement of the Company's Gold Standard.

Raw material purchases from grower organisations in Latin America, Africa and Asia in 2018 were as follows:

- 1,210 tonnes of coffee beans (2017: 965 tonnes);
- 83 tonnes of tea (2017: 159 tonnes).

RISKS AND UNCERTAINTIES

The company seeks to mitigate exposure to all forms of risk, both internal and external, where practicable, and to transfer risk to insurers, where cost-effective. This approach is governed by the company's Gold Standard which includes the statement that Cafédirect will "work directly with smallholder growers through long-term partnerships which seek to reduce the disproportionately high risks they face in the global market".

The directors consider that the principal risks facing the company are as follows:

- The company buys raw material commodities (coffee, tea and cocoa) from small and disadvantaged growers, often located in remote and under-developed regions of the world. The market prices of these commodities are quoted on international commodity exchanges. Any increases or volatility in prices or shortages in supply can affect the company's performance. The company mitigates this risk by holding appropriate levels of stock in the supply chain;
- The company outsources the processing and packing of its products to third party suppliers. Any issues that these suppliers encounter could disrupt supply and affect the company's performance. To mitigate this risk the company takes out business interruption insurance, ensures that suppliers have contingency plans in place and identifies alternative supply options;
- The company is exposed to currency movements in that it buys most of its raw materials in US dollars, pays for its processing of freeze-dried coffee in Euros and sells most of its finished products in pounds sterling. The company uses foreign exchange forward contracts to mitigate this risk as set out in note 17 to the accounts; At 31 December 2018 a proportion of the company's future currency requirements were covered by such contracts. As required by FRS 102 the fair value of the exchange rate risk hedge has been disclosed in note 17 to the accounts;
- A significant proportion of the company's revenues are derived from the UK supermarkets and an out-of-home distributor, and therefore inevitably come from a relatively small number of customers. The company mitigates this risk by developing sales in other sectors, such as out-of-home wholesalers and international, and taking out credit insurance where appropriate;

- Increase in aggressive pricing and discounting by competitors as they respond to the squeeze on UK household incomes can impact the company's sales volumes and market share. To mitigate this risk the company continually reviews its overall competitiveness in the market, incurs appropriate levels of promotional spend and focuses on promoting the distinctive elements of its brand; and
- Losses in recent years have significantly deteriorated the company's cash position and the seasonal nature of commodity harvests and the working capital requirements of the business mean that there is a risk that the company could exceed its borrowing facilities and no longer be a going concern. The company mitigates this risk by forward planning of coffee purchases; ensuring a strong focus on cash management; identifying alternative financing arrangements, as necessary, and ensuring that business plans establish a sustainable cash position for the future
- Uncertainty surrounding the UK's exit from the European Union creates uncertainty and risk to inbound supply of finished goods from partners based in member countries such as Republic of Ireland, Germany and Poland. Cafédirect has executed sound contingency planning for the eventuality that the UK's exit takes place without a defined trade deal in place. This consists of building additional eight weeks supply of finished product to a total average of sixteen weeks to mitigate impact of any delays in importing products to the UK. In addition, an advisor has been appointed to assist the company in minimising the risk and cost involved in the movement of goods should such a scenario arise, and managing implications for appropriate registrations.

FUTURE DEVELOPMENTS IN THE BUSINESS

Cafédirect is not planning any material changes in its approach to business in the coming year, though its return to profitability has brought renewed energy, resources and confidence to deliver excellent products to a market that continues to grow and has become more diverse in its offerings.

The business will invest in product, people, the personal development of those people, and customer/ consumer engagement in a very meaningful way. It will enhance its corporate identity such that it will more clearly set itself apart from the competition. These activities will heighten its profile as a highly regarded brand of great value and importance in the hot drinks sector.

Emphasis will be placed on product quality, internal effectiveness, customer services, engagement of stakeholders and delivering real meaning to its status as a certified B Corporation company as we seek to develop and achieve our Gold Standard.

Best in class sales and marketing, procurement, supply chain and financial management are going to provide assurance of the future success of the business. These programs are supported by investment in systems as well as people, including a project to implement SAP enterprise software.

By order of the Board

John Steel
Director

19th March 2019

The directors present their report and financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was that of brand management and trading in Fairtrade coffee, tea and cocoa products under the brand names Cafédirect and The London Tea Company.

No significant change in the nature of the Cafédirect branded activities occurred during the year. The acquisition of the assets and intellectual property of The London Tea Company in May 2017 has increased the appeal of the portfolio of Cafédirect plc's overall portfolio of hot beverage brands to both existing and prospective customers.

RESULTS AND DIVIDENDS

The results for the year are set out on page 24.

Whilst Cafédirect reported a profit for the year, the directors are not recommending the payment of a dividend due to there being no distributable reserves (2017: nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year and since the year-end and their beneficial interests in the share capital of the company are as follows:

	2018 Ordinary Shares	2017 Ordinary Shares
John Philips	-	-
Hendrik Baron de Kock	-	-
Belinda Gooding	1,667	1,667
Lebi Hudson	-	-
John Shaw	2,000	2,000
John Steel	3,082	-
Lenin Tocto Minga	-	-
Bart van Eyk	-	-
Jeffrey Halliwell	2,000	2,000

At the Annual General Meeting of the shareholders in 2017, Jeff Halliwell, announced his intention to resign as Chair of Cafédirect.

At a Board Meeting on 10 April 2018 Jeff formally resigned and a new Chair, John Philips was appointed as Chair and member of the Company's nominations and remuneration committee. At the same meeting Bart Van Eyk (Oikocredit nominated Director) formally resigned as a Director of Cafédirect. Hendrik Baron de Kock was nominated and formally appointed as the new Oikocredit nominated Director.

SUBSTANTIAL SHAREHOLDINGS

As at the date of this report, the company is aware of the following shareholdings of 3% or more:

	No. of Ordinary shares	% of total
Oikocredit, Ecumenical Development Co-Operative Society, U.A.	3,166,667	27.8%
Oxfam Activities Limited	970,466	8.5%
Cafédirect Producers Limited	461,600	4.1%

ANALYSIS OF ORDINARY SHAREHOLDERS AT 31 DECEMBER 2018

Number of shares	Number of shareholders	% of total shareholders	Number of shares	% of total Shares
1 – 500	2,119	50.5	844,725	7.4
501 – 1,000	1,006	24.0	918,323	8.1
1,001 – 5,000	920	21.9	2,182,266	19.2
5,001 – 10,000	87	2.0	639,149	5.6
10,001 and over	66	1.6	6,799,743	59.7
Total	4,198	100.0	11,384,206	100.0

GUARDIANS' SHARE

The company has one Guardians' share, held by the Guardian Share Company Limited (Company No. 04863720). As at the date of this report, there are three members of the Guardian Share Company Limited, Oxfam Activities Limited, Cafédirect Producers Limited and Oikocredit Ecumenical Development Co-Operative Society, U.A.

POLITICAL AND CHARITABLE DONATIONS

During the year the company made donations of £100,000 to Cafédirect Producers' Foundation (2017: £150,000). The company made no political donations during the year (2017: Nil).

EMPLOYEES

It is the company's policy to keep employees informed, through regular team meetings and other communications, on performance and on matters affecting them as employees.

It is also the company's policy to give proper consideration to applications for employment received from people with disabilities, and to give employees who become disabled every opportunity to continue their employment.

Share Incentive Plan

On 1 January 2018 the company made the following amendments to the Share Incentive Plan ("SIP"):

- The Company gifted 1,200 shares to each employee at that date (total number of shares 28,800 with a nominal value of £7,200 within the SIP"). Shares will vest after 3 years.

- A Partnership share scheme was included in the SIP that enabled employees to purchase up to £1,800 of shares each year within the SIP, these shares to vest at the end of each Financial Year. At the end of March 2018 each member of the Executive team have taken up this offer to purchase shares in the Company.

- A separate unapproved share scheme was set up for the Chief Executive to purchase £15,000 of shares in the Company outside the SIP and to repay the Company out of salary over the next 5 years. "Unapproved" in this context means that the holder of the shares is subject to tax on any benefit arising, as opposed to an approved scheme where HMRC permit issue of shares to employees with no taxation implications.

Pensions
All employees are entitled to join the company's defined contribution pension scheme after completing three months' service. The company contributes an amount equal to 9% of basic salary provided the employee contributes at least 1% of their basic salary.

Healthcare
The company operates a private healthcare scheme which all employees are entitled to join after completing 3 months' service.

PAYMENT OF SUPPLIERS

It is the company's policy to agree payment terms with suppliers when negotiating business transactions and to pay suppliers in accordance with contractual or other legal obligations.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is 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.

STRATEGIC REPORT

In accordance with session 414c (ii) of the Companies Act and included in the Strategic Report is the review of the business, principal risks and uncertainties and key performance indicators. This information would have been required by schedule 7 of the "Large and Medium sized Companies and Group (Accounts and Reports) Regulations 2008" to be contained in the Directors' report.

GOING CONCERN

As detailed in the strategic report, the company delivered a profit after tax for the year of £170,901, a significant turnaround after incurring losses of £327,598 in 2017, and £939,851 in 2016. The cash position at the balance sheet date significantly strengthened, following the Rights Issue and the loan restructuring of 2017.

Planning for 2019 financial year incorporates plans to capitalise on the market share growth attained by Cafédirect during the last half of 2018 by increasing spend on consumer engagement, with an assumption that the business can remain profitable. It also assumes that work will continue to secure the Company's future by being commercially adept – focusing on profitable business and supply chain economies. A complete strategic review has been undertaken which has delivered a very clear vision for the business that will lead to absolute focus on domestic opportunities and fuller distribution in UK Grocery multiples, as well as continuing to pursue an effective eCommerce strategy.

Further, a supply chain specialist was engaged during November 2018 to address a skills gap in the business – this is expected to deliver material benefit.

The above structural changes along with the improved trading performance provide a solid and sustainable platform for the future growth of the business.

Having reviewed the plans and associated forecasts, the additional equity investment; long term loan facility and the current trading conditions, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue meeting its liabilities as they fall due for the foreseeable future. Accordingly, the going concern basis has been adopted in the preparation of the accounts.

AUDITOR

During 2018, the Directors of Cafédirect determined that it should seek tenders for provision of its audit services since a competitive process had not been undertaken for 10 years.

Accordingly a tender process was commenced during September 2018 and Crowe UK LLP were appointed as the successful firm.

By order of the Board

John Philips
Chairman

19th March 2019

CODE OF BEST PRACTICE

The Board recognises that the UK Corporate Governance Code, published by the Financial Reporting Council in June 2016, represents best practice for public companies and is committed to working towards compliance with the code in a manner that is appropriate to the company's size and structure.

THE BOARD

At 31st December 2018, the Board consisted of:

Non-executive chair
Chief Executive
1 Independent non-executive director (consumer representative)
2 Producer directors
1 Guardian Share Company nominee director
1 Oikocredit nominee director

Each year, one third of the eligible directors retire, in rotation, at the Annual General Meeting in accordance with the company's Articles of Association. Accordingly, Lenin Tocto and John Steel retired, and both offered themselves for re-election and were re-elected. The selection of new directors is delegated to the Nominations and Remuneration Committee, which makes recommendations to the Board. Cafédirect Producers Limited and the Guardian Share Company Limited nominate the Producer directors and the Guardians nominee director respectively.

THE DIRECTORS

EXECUTIVE DIRECTOR

John Steel was appointed Chief Executive in July 2012. John was previously Managing Director & then Chairman of Cornish Sea Salt Ltd. Prior to this he held a number of commercial and general management positions with leading FMCG businesses, such as Nestle & Premier Foods, along with more entrepreneurial start-up and consultancy experience.

NON EXECUTIVE DIRECTORS

Chairman:

John Philips was appointed as a director, Chair and member of the Company's nominations and remuneration committee in April 2018, bringing with him a wealth of non-executive and executive experience. John's extensive executive experience includes a variety of international leadership roles for Diageo, Bacardi and Delgats wines. John is a fluent Spanish speaker and knows Latin America well. John is currently non-executive Chair of the Powerful Water Company, and an NED for Jogogo Media Inc. & Eero Paloheimo Ecocity.

With effect from 10th April 2018, Jeffrey Halliwell resigned as Director and Chair of the company and John Philips has been appointed as Director and Chair.

Consumer director:
Belinda Gooding was appointed as a director and a member of the company's Nominations and Remuneration Committee in 2011 and became Chair of the committee in 2012. Belinda is the Founder and Chief Executive of Roots & Wings, an organic and natural brand, a Non-Executive Director on one other board and previously worked in major FMCG businesses.

Guardian Share Company nominee director:
John Shaw, FCMA, was appointed as a director and Chair of the company's Audit Committee in 2009. Following a career at Parcelforce Worldwide and Royal Mail, John was the Finance & IS Director of Oxfam until his retirement in 2009.

CORPORATE GOVERNANCE

Producer directors:
Lebi Hudson is the General Manager of the Rungwe Smallholders Tea Association (RSTGA) in Tanzania who have been working with Cafédirect since 2003. RSTGA played a key role in testing the WeFarm platform developed by Cafédirect Producers' Foundation and have made significant investment in participatory governance processes in their organisation under Lebi's leadership.

Lenin Tocto is a Peruvian national and lives in Peru. He is the General Manager of the Asociación Provincial de Cafetaleros Solidarios San Ignacio in Peru, who have been in partnership with Cafédirect since 2000. Lenin is well networked with other Latin American partners and has a long history of assisting cooperatives to become thriving businesses.

Director nominated by Oikocredit:
Bart van Eyk resigned as a Director of the company and was replaced by Hendrik Baron De Kock in April 2018. Hendrik has thirty years' experience in the coffee industry including commercial and leadership roles with Dowe Egberts and successful establishment, leadership and sale of a well-known, highly progressive coffee shop chain in Holland. Hendrik is Managing Director at Heilige Boontjes Koffie, Rotterdam, a purpose-led coffee shop improving the livelihoods of ex-delinquents.

The Board is responsible for setting strategy, approving budgets, capital expenditure, investments and disinvestments. A report summarising the company's financial and operational performance is sent to the directors at least seven days in advance of Board meetings, the aim being to provide each director with information to help them make informed judgements on matters referred to the Board. The Board meets at least four times a year.

DIRECTORS' REMUNERATION

The Board has established a Nominations and Remunerations Committee, consisting entirely of non-executive directors. Details of each director's remuneration are set out on page 16.

SHAREHOLDER INFORMATION

The Board invites all shareholders to participate at the Annual General Meeting and provides the Annual Report, company announcements and other information on the website at www.Cafédirect.co.uk.

If you have any questions about transfer of shares, change of name or address, lost share certificates, death of a registered holder of shares, or any other query relating to the company's shares, please contact the Registrar on 0871 664 0300, or at the following address:

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

Shares are traded on a match bargain basis and the share trading platform and match-bargain market broker service is now operated by Ethex, the UK's first not-for-profit positive investment platform. If you have any questions about the buying or selling of Cafédirect share please contact Ethex by telephone on 01865 403 304, or at the following address:

Ethex Investment Club Limited
The Old Music Hall
106-108 Cowley Road
Oxford, OX4 1JE

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d. 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 proper 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 to enable them to ensure that the financial statements comply with the requirements of 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.

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

CORPORATE GOVERNANCE

INTERNAL CONTROL

The directors have responsibility for the company's system of internal control and for reviewing its effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The directors confirm that the process for identifying, evaluating and managing the significant risks faced by the company is in accordance with the FRC's Internal Control: Guidance to Directors (previously known as the Turnball Guidance), was in place throughout the accounting period and up to the date when the financial statements were approved, and is regularly reviewed by the Board.

Management are responsible for the identification and evaluation of significant risks and for the design and implementation of appropriate internal controls. These risks are assessed on an ongoing basis and may be associated with internal or external factors. Management reports regularly to the Board on the key risks and on the way that these are managed, and also reports to the Board on any significant changes to the company's business and on any risks associated with these changes. There is active Board involvement in assessing the key business risks facing the company and determining the appropriate course of action for managing these risks. The directors have established procedures designed to provide an effective system of internal control, with the following features:

- budgetary control over all departments, measuring performance against pre-determined targets on a monthly basis
- regular forecasting and reviews covering trading performance, assets, liabilities and cash flow
- delegated limits of authority covering key financial commitments including capital expenditure and recruitment
- identification and management of key business risks

The Board, partly through the Audit Committee, has reviewed the effectiveness of the company's system of internal control during the period.

John Shaw
Director

19th March 2019

REPORT OF THE AUDIT COMMITTEE ON BEHALF OF THE BOARD

Committee members during the year were:

John Shaw (Chair)
Bart van Eyk (until April 2018)
Belinda Gooding (from April until June 2018 and from January 2019 (due to illness of Hendrik Baron de Kock))
Hendrik Baron de Kock (appointed June 2018)

The ongoing membership of the Committee is normally two people, which is considered adequate for a company of this size and scale and is in accordance with the terms of reference for the Committee agreed by the Board. Members have considerable experience of financial reporting and of risk management. The Committee is supported by the Head of Finance, who, in keeping with good practice is not formally a member of the Committee. Bart van Eyk stepped down from the Committee in April 2018 when he ceased to be a member of the Board. His contribution to the Committee has been greatly appreciated. Belinda Gooding was appointed by the Board in April 2018 on a temporary basis to ensure that the Committee was quorate. Hendrik Baron de Kock was appointed by the Board to the Audit Committee in June 2018. Due to his illness Belinda Gooding was again appointed by the Board in January 2019.

The purpose of the Audit Committee is to establish formal and transparent arrangements regarding financial reporting and internal control principles and to maintain an appropriate relationship with the company's auditors. The Committee formally met once during the year and again in January 2019, which included reviewing the audit plan for the 2018 audit, and in February 2019, which included reviewing the 2018 accounts and audit findings. The Chair of the Committee met regularly with the Head of Finance.

The key areas of focus for the Audit Committee and the full Board during the year included:

- Subjecting the provision of audit services to the Company to tender, and evaluating tender submissions to appoint an audit firm for the year 2018 and onwards;
- Monitoring the integrity of the financial statements, plans and forecasts, with a particular focus on cash flow management and the financing needs of the business to ensure future sustainability.
- Reviewing the company's control environment in the light of the key findings from the audit of 2016 where significant control weaknesses were identified, ensuring that improvements made in 2017 were carried forward in 2018;
- Oversight of the key risks of the business and the risk register used by Management.
- Working with the external auditors and monitoring the ongoing audit requirements of the company, including providing input to the audit plan.
- Monitoring the ongoing legal and banking requirements of the company.
- Reviewing foreign exchange hedging arrangements.

As previously reported, the audit findings report following the 2016 audit noted that "the overall control environment had been poor during the past year". Management accepted this conclusion and the recommendations to improve the control weaknesses highlighted by the auditors. An action plan was developed to address the specific control weaknesses identified and the underlying issues during 2017. The audit findings report following the 2017 audit identified a significant improvement in the control environment. However, such was the gravity of the issues highlighted that it remained a key focus during 2018 to ensure that improvements delivered in 2017 were carried forward to 2018 and controls were further improved. It is to be noted that John Dunlop, who joined Cafédirect in 2016, resigned his position as Head of Finance in 2018 and we are grateful to him for the contribution that he made in improving controls. He was replaced by James Nixon, who continued to work closely with the Committee to ensure financial controls were maintained and improved.

Key issues identified in the audit findings report of 2016, that remained outstanding at the start 2018 were as follows:

- Replacement of the legacy Finance system. As previously reported, Management had judged that, in the context of other priorities, it was not appropriate to address this in 2017. The Committee were satisfied that the legacy system was no longer a constraint to establishing effective control, particularly given the improved understanding of how the system works. It was agreed that the replacement of the legacy Finance system would be considered further during Q2 2018 and proposals brought to the Board with a likely go-live date for the replacement system of January 2019. With consideration given to the change in finance leadership, it was agreed that the planned go-live date for the replacement system be deferred to July 2019, with the project plan having been approved and commenced in October 2018;
- Given the size of the company there is a strong dependence on a few key staff and their knowledge and understanding of the legacy Finance system and the key control procedures. The Committee noted that there is a risk that the improvements in control achieved might be lost if key staff moved on. In order to help mitigate that risk it was important to ensure an effective handover between the outgoing and incoming Head of Finance. In addition to the plans to change the legacy Finance system, Management are committed to better documenting control procedures, which will greatly assist in transferring knowledge as staff changes take place. This work is scheduled to be addressed during the project to replace the Finance system.

The auditor's report of 2017 concluded that, while the overall control environment was much improved that there remained some residual control deficiencies, principally around the assumptions made by the Epicor system in valuing stock. It has been noted by the committee that strenuous efforts had been made by the Executive to establish proper control by operating a process outside of Epicor to validate third party location stock reports against the Company's own records. Having reviewed the audit findings for 2018, where there were no material issues arising around stock control or valuation, the Committee is satisfied that the control environment is fit for purpose.

As noted in the Business Review (page 2) the Company had been a victim of a material fraud during the year (almost £30,000), whereby communications between Cafédirect's Accounts Department and a supplier had been intercepted resulting in the redirection of funds intended for the supplier being deposited into a fraudster's bank account. The Board reviewed a detailed report from Management on the incident that set out the likely root cause and identified the actions taken to strengthen control, which were endorsed. The incident was reported to the police but recovery remains unlikely and the loss was not covered by insurance.

The Committee has continued to be involved, along with the Board, in considering the information on which the directors determine that the accounts should be prepared on a going concern basis. As noted, the cash position of the Company has been significantly strengthened, following the Rights Issue and the loan restructuring, but remains under constant review by Management and will continue to be the subject of ongoing and frequent review by the Board.

It is noted that the covenants in place that support the loan from Triodos, had not been breached during the year other than on two occasions where Cafédirect over-delivered on the profitability measure, which on both occasions Triodos confirmed they were satisfied to overlook.

Triodos accepts that Cafédirect is likely to breach covenants from time to time, and that in particular this can become more of a risk as the Company budgets for higher growth, but that they will not treat these as breaches that demand default on the loan, provided a satisfactory explanation is given. The Board has instructed officers of the Company to engage closely with Triodos about the detail of future plans, particularly as forecasts change, and ensure that any covenant breaches are fully explained.

The company maintains a comprehensive risk register, which was reviewed in detail and updated by the executive team during the year and now consists of a dynamic model that measures risk development over time by means of quantitative measures. The model also facilitates the addition of emerging risks and the escalation of high level risks to the Board for appropriate action and/or measures. The Board reviewed and approved this revised approach to risk management.

CORPORATE GOVERNANCE

The key risk issues are reviewed by the Board on an ongoing basis and I am satisfied that the approach taken is appropriate. The key risks and the approach to mitigation are set out in the Strategic report (see pages 4 and 5).

As noted in the report of 2017, the Committee had recommended to the Board, and the Board had agreed, that in accordance with good practice, given the long-standing relationship with RSM UK Audit LLP, that a tender exercise be carried out to appoint auditors for the 2018 audit.

A tender process was undertaken during 2018, which was chaired by me and involved other members of the Board and the Head of Finance. As a result of the tender process Crowe UK LLP were appointed as the Company's auditor for the 2018 audit and onwards. Accordingly, RSM UK Audit LLP tendered their resignation as Cafédirect's auditor in November 2018 and we record our appreciation of their services over a ten year period..

JShaw.

John Shaw
Chair – Audit Committee

19th March 2019

REPORT OF THE NOMINATIONS AND REMUNERATION COMMITTEE ON BEHALF OF THE BOARD

Committee members during the year have been:

Belinda Gooding

John Philips (appointed April 2018)

Jeffrey Halliwell (resigned April 2018)

Lebi Hudson

The CEO as executive director and Head of HR, provide support and information to the Committee, but in keeping with good practice are not formally members. At each meeting the non-executive directors also meet without the executive director.

The Committee's purpose is to oversee on behalf of the Board formal and transparent arrangements, in the spirit of Cafédirect's Gold Standard, regarding the appointment, development and reward of the Executive Team and the Board (excluding remuneration of non-executive Directors).

The Committee met formally five times in 2018.

NOMINATIONS - KEY ACTIVITIES

Objective:

To recruit a new Chair, following the existing Chair informing the committee of his intention to resign with effect from 10th April 2018.

Outcome:

The process began at the end of 2017 and was completed successfully in January 2018. A sub-committee made up of members of the Nomination and Remuneration Committee, Audit Committee and senior management was delegated to identify and select a new Chair. As part of this project an external company was appointed to carry out the search. The role was advertised externally on job boards, shortlisted candidates were interviewed by the sub-committee. The new Chair, John Philips, was appointed on 10 April 2018.

REMUNERATION - KEY ACTIVITIES

Objective:

Determine and agree with the Board the policy, externally benchmarked, for the remuneration of the CEO and Executive Team members. This sets the framework for considering remuneration for all employees.

Outcome:

The policy was reviewed during 2018. In summary, the company looks for employees who are socially motivated, as well as having the necessary skills and experience to run and grow the business successfully in a very competitive environment. A number of different factors are taken into account when determining remuneration. These include London based salary differentials, charity and FMCG industries and specific experience and skill requirements. As a result, the market range is fairly broad.

CORPORATE GOVERNANCE

Objective:

Determine the remuneration of the Chair of Cafédirect. The Chair of Cafédirect and the executive members of the Board determine the remuneration of all other non-executive directors.

Outcome:

The remuneration of the Chair of Cafédirect was reviewed as part of the recruitment process. The annual fees were increased by £5,000 per annum to £15,000 (the first increase for six years) to more accurately reflect the additional time commitment required of the Chair. The fees for the remaining non-executive directors were held at the 2012 level.

On appointment to the board as the Oikocredit representative Hendrik Baron de Kock agreed to waive his fees.

Objective:

Approve the design of any performance related pay schemes and share incentive plans.

Outcome:

The Nominations and Remunerations Committee approved the performance related pay schemes and share incentive plans for the Company. However a bonus pay out for senior executives was not approved in 2018.

Objective:

Determine the policy and scope for pension arrangements for each executive director and the remaining members of the Executive Team. This sets the framework for considering pension policy for all employees.

Outcome:

The pension policy remains the same, namely to offer an ethically screened fund choice to employees. The company contribution is 9% of basic salary subject to a minimum employee contribution of 1%. Cafédirect continues to use the Group Stakeholder Pension Plan, My Future Growth run by Aviva. Arthur J Gallagher continues to provide the financial advisory service and administration of the pension scheme.

Executive Directors

Basic entitlements: Executive directors have service contracts that are subject to notice periods from the company of 6 months. Each executive director is paid a basic salary subject to annual review. In addition, the executive directors are entitled to a share in an annual senior executive bonus. The benefit of private medical insurance is available to all employees, including executive directors.

Pension provision: Executive directors are entitled to join the company's defined contribution pension scheme. The company contributes 9% of basic salary provided the employee contributes at least 1% of their basic salary.

CHAIR AND NON-EXECUTIVE DIRECTORS' FEES

The remuneration of the Chair and the non-executive directors is at levels intended to reflect the ongoing time commitments and involvement required,

The Chair and the non-executive directors do not have service contracts. Each non-executive director receives an annual fee plus an additional fee if acting as chair of a Board committee. The Chair and the non-executive directors are not entitled to participate in the company's share incentive plan, nor in any performance pay schemes or pension schemes and would not receive any compensation in the event of early termination.

The fees for non-executive directors continued at the same level as 2017 except for John Philips which was increased by £5,000 (per annum) when compared to Jeffrey Halliwell.

DIRECTORS' REMUNERATION

For the year ended 31 December 2018:	Fees £	Salary £	Pension Contribution £	Total £
John Philips (Chair)	12,500	-	-	12,500
Hendrik Baron de Kock	-	-	-	-
Belinda Gooding	6,000	-	-	6,000
Lebi Hudson	6,000	-	-	6,000
John Shaw	6,000	-	-	6,000
John Steel (Chief Executive)	-	131,490	11,834	143,324
Lenin Tocto Minga	5,000	-	-	5,000
Bart Van Eyk	-	-	-	-
Jeffrey Halliwell	2,885	-	-	2,885
	38,385	131,490	11,834	181,709

Fees for Lebi Hudson are paid to his employer, the Rungwe Smallholders Tea Association (RSTGA) in Tanzania.

Fees for Lenin Tocto are paid to his employer, Asociacion Provincial de Cafetaleros Solidarios San Ignacio in Peru.

Hendrik Baron de Kock and Bart van Eyk waived their fees.

DIRECTORS' ATTENDANCE AT MEETINGS

For the year ended 31 December 2018:	Full Board Meetings	Remuneration Committee	Audit Committee
John Philips (Chair)	4	3	-
Hendrik Baron de Kock	4	-	-
Belinda Gooding	7	5	1
Lebi Hudson	7	5	-
John Shaw	7	-	1
John Steel	7	-	-
Lenin Tocto Minga	7	-	-
Bart Van Eyk	1	-	-
Jeffrey Halliwell	3	2	-

Belinda Gooding
Chair – Nominations and Remuneration Committee

19th March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAFEDIRECT PLC
For the year ended 31 December 2018

Opinion

We have audited the financial statements of Cafédirect plc (the "Company") for the year ended 31 December 2018, which comprise:

- the income statement and statement of comprehensive income for the year ended 31 December 2018;
- the statement of financial position as at 31 December 2018;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the Company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £120,000 based on a percentage of a revenue.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £3,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The company is accounted for from one central operating location, the company's registered office. Our audit was conducted from the main operating location.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Valuation of stock As at 31 December 2018, the Company held £3.0 million of stock in several locations. Given the size of the stock balance relative to the assets of the Company, the valuation of stock required was considered a significant audit risk. The determination of whether stock will be realised for a value less than cost requires management to exercise judgement and apply assumptions.	Our procedures over the valuation of stock included: • For a sample of stock items, re-performing the cost calculation and comparing the average cost to previous purchase invoices. • Testing that the ageing report used by management correctly aged inventory items. • On a sample basis, testing the net realisable value of inventory lines to recent selling prices • Assessing the percentage write down applied to older inventory with reference to historic write-downs and recoveries on slow moving inventory.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- 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.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

John Glasby (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

19th March 2019

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	2018 £	2017 £
TURNOVER	2	13,107,670	12,863,692
Cost of sales	3	(10,358,440)	(10,431,774)
GROSS PROFIT		2,749,230	2,431,918
Administrative expenses	4	(2,504,158)	(2,677,379)
OPERATING PROFIT/(LOSS)		245,072	(245,461)
Interest receivable and similar income	5	488	504
Interest payable and similar charges	6	(82,876)	(82,641)
Dividends	7	8,217	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	8	170,901	(327,598)
Taxation	10	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR		170,901	(327,598)
OTHER COMPREHENSIVE INCOME			
Fair value (losses) / gains on foreign exchange forward contracts	17	(57,629)	(83,117)
Fair value gains / (losses) reclassified to profit and loss	17	104,521	67,598
Other comprehensive income		46,892	(15,519)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		217,793	(343,117)

Cafédirect plc

STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2018

	Notes	2018 £	2017
FIXED ASSETS			
Intangible assets	11	91,105	122,178
Tangible assets	12	137,290	108,913
		228,395	231,091
CURRENT ASSET			
Stocks	13	2,950,219	2,932,122
Debtors due within one year	14	2,036,402	2,030,955
Cash at bank and in hand		465,639	919,386
		5,452,260	5,882,463
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(1,250,853)	(1,757,701)
NET CURRENT ASSETS		4,201,407	4,124,762
TOTAL ASSETS LESS CURRENT LIABILITIES		4,429,802	4,355,853
Creditors: amounts falling due in more than one year	16	(994,292)	(1,138,136)
NET ASSETS		3,435,510	3,217,717

	Notes	2018 £	2017 £
CAPITAL AND RESERVES			
Called up share capital	19	2,846,051	2,846,051
Share premium account		4,174,088	4,174,088
Hedging reserve	17	13,394	(33,498)
Profit and loss account		(3,598,023)	(3,768,924)
TOTAL EQUITY		3,435,510	3,217,717

The financial statements on pages 25 to 44 were approved by the board of directors and authorised for issue on 19th March 2019 and are signed on its behalf by:

JShaw.

John Shaw
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Notes	Share capital	Share premium	Hedging reserve	Profit and loss account	Total
		£	£	£	£	£
Balance at 1 January 2018		2,846,051	4,174,088	(33,498)	(3,768,924)	3,217,717
Profit for the year		-	-	-	170,901	170,901
Other comprehensive income, net of tax:-						
Fair value gains on effective hedge	17	-	-	(57,629)	-	(57,629)
Fair value gains reclassified to profit and loss	17	-	-	104,521	-	104,521
Total comprehensive income for the year				46,892	170,901	217,793
Balance at 31 December 2018		2,846,051	4,174,088	13,394	(3,598,023)	3,435,510

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	2018 £	2017 £
OPERATING ACTIVITIES			
Cash generated (used) in operations	20	(110,161)	40,989
Interest paid		(82,876)	(82,641)
NET CASH USED IN OPERATING ACTIVITIES		(193,033)	(41,652)
INVESTING ACTIVITIES			
Purchase of intangible assets		(7,800)	(14,851)
Purchase of tangible fixed assets		(103,592)	(73,516)
Interest received		488	504
NET CASH USED IN INVESTING ACTIVITIES		(110,904)	(87,863)
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		-	897,195
Costs related to the issuance of ordinary shares		-	(85,301)
Proceeds of new borrowings		-	1,300,000
Costs related to the issuance of new borrowings		-	-
Repayment of borrowings		(149,806)	(11,394)
NET CASH FROM FINANCING ACTIVITIES		(149,806)	2,100,500
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(453,747)	1,970,985
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		919,386	(1,051,599)
NET DEBT AND CASH EQUIVALENTS AT END OF YEAR	20	465,639	919,386

GENERAL INFORMATION

Cafédirect plc ("the Company") is a public limited company domiciled and incorporated in England and Wales.

The address of the Company's registered office is 4th Floor, 115 George Street, Edinburgh, EH2 4JN. The address of the Company's principal place of business is Industry House, 21 Whiston Road, London E2 8EX.

The Company's principal activities are provided in the directors' report.

BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

GOING CONCERN

As detailed in the strategic report, the company earned profits after tax for the year of £170,901 (2017: £327,598 loss). The cash position at the balance sheet date is £465,639 (2017 £919,387) reflecting a weaker position versus previous year but with all creditors paid up to date and a reduction of £149,806 in the Company's long term borrowing.

Structural changes to the financing of Cafédirect's working capital in 2017, including a Rights Issue and conversion of short term borrowing to an eight year term bank loan, together with improved trading performance provide a solid and sustainable platform for the future growth of the business.

Having reviewed the plans and associated forecasts, the additional equity investment; long term loan facility and the current trading conditions, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue meeting its liabilities as they fall due for the foreseeable future. Accordingly, the going concern basis has been adopted in the preparation of the accounts.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

The financial statements are presented in sterling which is also the functional currency of the Company.

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover is recognised when goods have been delivered to the customer.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

OTHER INCOME

Interest income
Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

INTANGIBLE FIXED ASSETS

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets arising on a business combination are recognised, except where the asset arises from legal or contractual rights, and there is no history or evidence of exchange transactions for the same or similar assets and estimating the asset's fair value would depend on immeasurable variables.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Purchased computer software	5 years

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Short leasehold improvement	Over the life of the lease
Fixtures, fittings and equipment	Over three years on a straight line basis
Computer equipment (purchased after 31 Dec 2012)	Over five years on a straight line basis

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit and loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

STOCKS

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost basis and for finished goods and work in progress, includes direct labour costs and overheads appropriate to the stage of manufacture.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

LEASES

All leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

RETIREMENT BENEFITS

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

SHARE BASED PAYMENTS

The Company operates a Share Incentive Plan (SIP) which is HMRC approved. On 1 January 2018 the Company gifted 1,200 shares to each employee at that date. Shares will vest after 3 years.

All share-based remuneration is ultimately recognised as an expense in the Income Statement with a corresponding credit to 'share-based payment reserve'. All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options, proceeds received net of attributable transaction costs are credited to share capital and share premium.

The expense in relation to these 'free' shares is recorded as employee remuneration and measured at fair value of the shares issued as at the date of grant.

FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Bank overdrafts

Bank overdrafts are presented within creditors: amounts falling due within one year.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accruals

Accruals are estimated for promotional discounts in relation to the supermarket sector which have not yet been invoiced. These accruals are held for three years. This length of time is considered adequate based on experience of historic claims.

Stock

The Company purchases raw materials which are carried in the balance sheet at a material value. On conversion to finished product, stock is also retained to meet varying customer demand and ensure continuity of supply. Both types of stock are perishable in nature and decline in value as they age. Additional risk of devaluation of stock arises since many of the Company's customers require that product shipped still has at least six months of shelf life.

To ensure that stock valuation is reflected at a fair value in its accounts, the Company has a policy of making provision against short dated stock items at a rate of 100% of its book value.

Judgements are made on an ad-hoc basis to make provision for potential losses relating to slow moving stock. Where demand for a stock item is at such a level that stock would not be depleted before its expiry date, an assessment is made on a case by case basis to provide for expected loss.

Debtors

The Company operates credit facilities for its customers and the risk of bad debts is kept under constant review. Specific provision is made for any debts identified as such.

A substantial proportion of its customer base are grocery multiples where credit risk is extremely low. All other customers are subject to thorough credit checks on opening of accounts with all debtors subject to periodic review to ensure that credit risk has not increased.

Historically the level of default has been extremely low and the majority of accounts are paid promptly. Therefore it is considered that the low level of risk does not necessitate a policy of providing for outstanding debts beyond a certain age, or by any other mechanical means.

Where the Company becomes aware of any customer in a precarious position financially, steps are taken to collect outstanding invoices on accounts and credit facilities are withdrawn.

2. TURNOVER

An analysis of the Company's turnover by class of business is as follows:

Class of Business	2018 £	2017
Continuing operations:		
Coffee	11,057,837	10,873,880
Tea	1,455,359	1,468,622
Hot chocolate	326,698	282,664
Ancillaries	267,776	238,527
	13,107,670	12,863,692

An analysis of the geographical location of the Company's turnover is as follows:

	2018 £	2017 £
Geographical segments:		
Continuing operations:		
UK	11,014,993	10,559,123
Overseas sales	2,092,677	2,304,570
	13,107,670	12,863,692

3. COST OF SALES INCLUDING PREMIUMS PAID TO PRODUCERS ORGANISATIONS

	2018 £	2017 £
Opening stock at start of year	2,932,122	2,773,128
Purchases	9,929,029	10,184,674
Premiums	447,508	406,094
Closing stock as at end of year	(2,950,219)	(2,932,122)
	10,358,440	10,431,774

4. ADMINISTRATION EXPENSES

	2018 £	2017 £
Staff costs and other personnel costs	1,578,990	1,473,452
Marketing costs	337,157	384,587
Property-related costs	50,179	35,445
Depreciation & Amortisation	114,088	154,587
Export development costs	69,547	46,874
Legal and compliance costs	55,911	169,581
IT and office costs	84,539	120,162
Other administrative expenses	84,464	142,305
Donations	100,000	150,385
Exceptional Item (Fraud, see report of the audit committee)	29,283	-
	2,504,158	2,677,378

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Interest on bank deposits	488	504

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£	£
Interest arising on:		
Other loans	82,876	82,641

7. DIVIDENDS

	2018	2017
	£	£
Ordinary Shares		
Amounts unclaimed from 2005 Dividend written off	8,217	-
	8,217	-

8. PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018	2017
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 12)	75,214	112,571
Amortisation of intangible fixed assets (note 11)	38,874	42,015
Exchange losses / (gains)	(2,964)	25,160
Operating lease rentals (note 21)	59,193	80,582
Stock:		
- amounts expensed to cost of sales	7,893,168	7,797,037

Fees payable to Crowe UK LLP (2017: RSM UK Audit LLP) and its associates in respect of both audit and non-audit services are as follows;

	2018	2017
	£	£
Audit services - statutory audit of the company	30,000	46,325
Other services:-		
Taxation compliance services	1,118	5,319
All other non-audit services	-	4,600
	31,118	56,244

9. EMPLOYEES

	2018 No.	2017 No.
The average monthly number of persons (including directors) employed by the Company during the year was:		
Sales and marketing	11	13
Operations and administration	16	10
	27	23

	2018 £	2017 £
Staff costs for the above persons:		
Wages and salaries	982,741	1,001,906
Social security costs	109,621	101,750
Other pension costs and current service cost (note 22)	80,981	88,515
Share based payments	10,620	
	1,183,963	1,192,171

DIRECTORS

In respect of the directors of Cafédirect plc:

	2018 £	2017 £
Emoluments	159,195	161,653
Amounts paid to defined contribution pension schemes	11,863	11,517
	171,058	173,170

The number of directors to whom retirement benefits are accruing under defined contribution schemes was:	1	1

Directors emoluments disclosed above include the following payments in respect of the highest paid director:

	2018 £	2017 £
Remuneration	131,810	128,653
Amounts paid to defined contribution pension schemes	11,863	11,517
	143,673	140,170

10. TAXATION

	2018	2017
	£	£
Company profit/(loss) on ordinary activities before tax	170,901	(327,598)
Company profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017 19.25%.	(32,471)	(63,051)
Effects of:		
Expenses that are not deductible in determining taxable profit	10,726	11,178
Unutilised charitable donations	19,000	28,944
Depreciation in excess of capital allowances	-	-
Other short term timing differences	-	-
Impact of changes in rate of deferred tax	3,569	2,677
Tax losses not recognised as a deferred tax asset	13,098	20,252
Tax expense	-	-

At 31st December 2018, the company had estimated tax trading losses of £3,333,023 (2017: £3,585,895) which are available to carry forward against future profits of the same trade.

11. INTANGIBLE ASSETS

	Computer Software £
Cost:	
1 January 2018	194,459
Additions separately acquired	7,800
Disposals	(28,935)
31 December 2018	173,324
Amortisation and impairment:	
1 January 2018	72,281
Amortisation charged in the year	38,874
Disposals	(28,936)
31 December 2018	82,219
Carrying amount:	
31 December 2018	91,105
31 December 2017	122,179

12. TANGIBLE FIXED ASSETS

	Computer equipment £	Fixtures, Fittings & Equipment £	Leasehold Improvements £	Total £
Cost or valuation:				
1 January 2018	72,020	429,868	-	501,889
Additions	27,011	65,707	10,874	103,596
Disposals	(41,229)	(337,717)	-	(378,946)
31 December 2018	57,802	157,858	10,874	226,538
Depreciation and impairment:				
1 January 2018	52,815	340,161	-	392,976
Depreciation charged in the year	6,891	66,712	1,611	75,214
Disposals	(41,229)	(337,717)	-	(378,946)
31 December 2018	18,477	69,156	1,611	89,244
Carrying amount:				
31 December 2018	39,325	88,702	9,263	137,290
31 December 2017	24,347	84,566	-	108,913

Fixtures, Fittings & Equipment includes foodservice equipment for rental at Cost of £120,632 (2017: £325,874) with a net book value of £57,161 (2017: £72,152). This equipment is leased to customers under operating leases as noted in Note 21.

13. STOCKS

	2018 £	2017 £
Raw materials and consumables	1,142,149	1,355,571
Work in progress	9,089	444,077
Finished goods and goods for resale	1,798,981	1,342,197
	2,950,219	2,932,122

14. DEBTORS

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	1,781,939	1,812,000
Other debtors	109,376	145,359
Foreign currency forward contracts (note 17)	13,394	-
Prepayments and accrued income	131,693	73,596
	2,036,402	2,030,955

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Bank loans	144,508	150,470
Trade creditors	454,172	598,132
Other taxation and social security costs	41,407	31,244
Other creditors	14,017	25,475
Foreign currency forward contracts (note 17)	-	33,498
Accruals and deferred income	596,749	918,882
	1,250,853	1,757,701

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £	2017 £
Bank loans	994,292	1,138,136
	994,292	1,138,136

Included in creditors are:

	2018 £	2017 £
Amounts due by instalments falling due after more than five years	342,615	514,591
	342,615	514,591

Bank borrowings are repayable between 1 January 2018 and 30 October 2025 and bear interest at 4.0% above UK Bank Base rate. The Company makes monthly repayments of the bank borrowings.

Bank borrowings are secured against a floating charge over all of the assets and undertakings (both present and future) of the business and are subject to covenants based upon turnover and profit performance.

17. FINANCIAL INSTRUMENTS

The carrying amount of the Company's financial instruments at 31 December were:

	2018 £	2017 £
Financial assets:		
Debt instruments measured at amortised cost	2,358,926	1,838,487
Instruments measured at fair value through profit or loss	13,394	-
Total	2,372,320	1,838,487
Financial liabilities:		
Measured at amortised cost	2,358,882	1,532,432
Instruments measured at fair value through profit or loss	-	33,498
Total	2,358,882	1,565,930

Foreign Exchange Forward Contracts

The Company uses foreign currency forward contracts to manage the foreign change risk of future transactions and cash flows.

The contracts are valued based on available market data. The value of a contract is the difference between the contract amount translated at the contract rate and the contract amount translated at the forward rate at the reporting date for a contract maturing on the same date.

The Company uses foreign exchange forward contracts to manage exposure to changes in foreign currency exchange rates. The contracts are placed to cover the forecast requirements for the following 6 months of stock purchases. Therefore the cash flows are expected to occur in the 6 months following the balance sheet date and are expected to affect the profit or loss in the year following the balance sheet date.

Fair value losses of £57,629 (2017: loss £83,117) on foreign exchange forward contracts are deferred in other comprehensive income and will be charged to profit or loss at the maturity of contract. £104,521 was released in the year ended 31 December 2018 (2017: £67,598 released).

At the year end, the total carrying amount of outstanding foreign exchange forward contracts that the Company has committed to are as follows:

	2018	2017
	£	£
Euros	-	442
US Dollars	13,394	(33,940)
	13,394	(33,498)

18. PROVISIONS FOR LIABILITIES

	Deferred Taxation	Total
	£	£
1 January 2018	-	-
Utilised in the year	-	-
31 December 2018	-	-

Provision for deferred tax has been made as follows:	2018	2017
	£	£
Deferred tax liabilities	17,848	12,466
Deferred tax assets	(17,848)	(12,466)
	-	-

The major deferred tax liabilities and assets recognised by the Company are:

Deferred tax liabilities:	2018	2017
	£	£
Accelerated capital allowances	17,848	12,466

Deferred tax assets:	2018	2017
	£	£
Other timing differences	-	1,690
Losses and other deductions	17,848	10,776
	17,848	12,466

19. SHARE CAPITAL & RESERVES

SHARE CAPITAL

As at 31 December 2018	11,384,206 ordinary shares and 1 guardian share

Ordinary share rights
The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Guardians' share
In addition to the above allotted and called up Ordinary share capital there is one Guardians' share of 25p which is fully paid. The Guardians' share, held by the Guardian Share Company Limited (Company No. 4863720), differs from the Ordinary shares in that it gives the owners (the "Guardians") certain additional rights. The Guardians' rights comprise: (i) they have the right to appoint a director to the Cafédirect Board; (ii) their consent is required to make any changes to the key principles of Cafédirect's Gold Standard, or to the company's objects as set out in its Articles of Association; and (iii) they have a right of consultation before any changes can be made to the wording of the full Gold Standard. If such consultation does not result in unanimous consent, the proposals must be put to the members of Cafédirect as a special resolution at a general meeting.

There are three members of the Guardian Share Company Limited, Oxfam Activities Limited, Cafédirect Producers Limited and Oikocredit Ecumenical Development Co-Operative Society, U.A.

RESERVES

Reserves of the Company represent the following:

Share Premium
Consideration received for shares issued above their nominal value net of transaction costs.

Hedging Reserve (note 17)
Gains and losses arising on foreign exchange forward contracts which have been designated as hedges for hedge accounting purposes.

Retained earnings
Cumulative profit and loss net of distributions to owners.

20. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED (USED IN)/FROM OPERATIONS

	2018	2017
	£	£
Profit/(loss) after tax	170,901	(343,117)
Adjustments for:		
Depreciation of tangible fixed assets	75,214	112,572
Amortisation of intangible assets	38,874	42,015
Interest receivable	(488)	(504)
Interest payable	82,876	82,641
Operating cash flows before movements in working capital	367,377	(106,393)
(Increase)/Decrease in stock	(18,097)	(158,994)
(Increase)/Decrease in trade and other debtors	7,947	271,386
Increase/(Decrease) in trade and other creditors	(467,388)	34,990
Cash generated from / (used in) operations	(110,161)	40,989

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2018	2017
	£	£
Cash at bank and in hand	465,639	919,386
	465,639	919,386

21. COMMITMENTS UNDER OPERATING LEASES

The Company as lessee:

The total future minimum lease payments under non-cancellable operating leases for plant and machinery are as follows:

	2018	2017
Amounts due:	£	£
Within one year	73,897	59,193
Between one and five years	-	31,587
	73,897	90,780

The Company as lessor:

At the year end, the Company had contracted with customers under non-cancellable operating leases relating to hot drinks preparation equipment, for the following future minimum lease payments as follows:

	2018	2017
Amounts due:	£	£
Within one year	56,193	68,837
Between one and five years	27,800	32,203
	83,993	101,040

The equipment is rented usually on 3 year terms and rental income is payable monthly. The equipment remains the property of Cafédirect plc.

22. RETIREMENT BENEFITS

The Company operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions payable by the Company charged to profit or loss amounted to £92,844 (2017: £88,515). No contributions were owing at 31st December 2018.

23. OTHER FINANCIAL COMMITMENTS

At 31 December 2018 the company was committed to purchase £2,138,592 (2017: £2,018,792) of coffee beans.

24. RELATED PARTY TRANSACTIONS

Transactions between the Company and its related parties are disclosed below:

	2018 £	2017 £
Sales of goods in year	396,738	299,581
Services provided to the company	-	-
Services provided by the company	12,498	28,544
Charitable donations	100,000	150,000
Amounts owed by related parties at year end	24,796	47,296
Amounts owed to related parties at year end	-	-

The related parties in 2018 comprise the company's remaining founder shareholder, namely Oxfam Activities Ltd, as well as Cafédirect Producers Ltd, its wholly owned subsidiary Cafédirect Producers' Foundation and Oikocredit Ecumenical Development Co-Operative Society, U.A. All transactions with related parties are on arms' length terms.

Sales of goods to related parties were made at the Company's usual list prices. Purchases were made at market price discounted to reflect the quantity of goods purchased.

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2017: £nil) in respect of bad debts from related parties.

25. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the directors and employees who are considered to be the key management personnel of the Company, was £579,585 (2017: £709,089).