Company number SC141496

Cafédirect plc

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

John Philips (Chair)
Hendrik Baron de Kock
Belinda Gooding
Lebi Hudson
John Shaw
John Steel
Lenin Tocto Minga
Monica Middleton (appointed 10 December 2019)
Robert Humphreys (appointed 17th March 2020)

SECRETARY

James Nixon

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 2019 was £14.0m, which was a 7.0% increase compared with 2019. Cafédirect has step changed its growth primarily through a significant improvement in its performance in the Grocery Retail sector, increasing sales by 18.4% versus the prior year. The appeal of the brand has increased and is attracting new consumers. The launch of a new decaffeinated version of Cafédirect's best seller Machu Picchu has contributed over £0.5m in its first year.

Cafédirect successfully launched a premium range of coffees from its London Fields Roastery in East London. These products performed very well as an exclusive with one key customer and have subsequently been made more broadly available.

Growth in the UK retail sector continued to accelerate across all customers, in particular during the second half of the year, with an increase in market share of 12% compared with 2018 developing further to 17% by the last quarter.

Cafédirect's UK Foodservice division exited 2019 in a strong fashion, delivering growth of 10% in the final quarter having sustained declines in the first three quarters, ending the year slightly down (-3%) versus the prior year. Increased resource and a clear strategy in this sector, combined with the performance improvement, provide the board with a high level of confidence in growth in 2020.

2019 was a highly significant year for Cafédirect. The step up in growth was accompanied by a profit in 2019 of £156k before adjusting for fair gains/losses on foreign exchange (2018: £171k). This is the second year that the Company has delivered a surplus since 2009. Importantly the growth improvement from 2.9% in 2018 to 7% in 2019, along with maintaining profitability, demonstrates the significant potential of the business.

Overall profitability was achieved whilst investing in operating expenses to drive future revenue and margin growth. Investment in capability included resource to review the operations of the business, identifying significant annual savings of £0.5m (realisable primarily in 2020) and resource to accelerate and expand innovation, which will increase new product development in the period 2020 – 2023.

In addition to this improvement in commercial performance Cafédirect' has seen its impact increase to even higher levels. Cafédirect continues to support the lives and wellbeing of producer growers, through Fairtrade premiums, Organic premiums and via donations to its farmer led charitable organisation - Producers Direct; significant sums that deliver real impact.

During 2019 £990,284 (2018: £781,968) was invested in growers and their communities via Fairtrade premiums, Organic premiums and Producers Direct. Supporting the core costs of Producers Direct enabled them to continue to deliver programmes with growers funded by third parties and to leverage an increased amount of external funding for their charitable activities with growers.

The company's capabilities were increased considerably in 2019. During the year key appointments were made to accelerate the company's growth. In addition a project to implement SAP enterprise software was successfully delivered. This will have a major impact in 2020 and beyond, improving efficiency and providing greater insight for decision making. Also a complete review of Cafédirect's operations will enable improvements in ways of working and cost savings.

Looking ahead to 2020, Cafédirect has further plans in place to build on its achievements in 2019. The potential impact of Covid-19 is discussed and considered on page 10 of this report.

The Directors are confident that growth can be attained at higher levels, whilst maintaining profitability and maximising impact.

Cafédirect's is a proven leader in delivering social and environmental change. It is also a strong and progressive brand owner with a powerful purpose.

Total stock at the year-end was £3.4m (2018: £3.0m); debtors were £2.2m (£2018 £2.0m) and creditors less than 1 year were £2.1m (2018: £1.3m).

Working capital is carefully managed at Cafédirect - cash balances at year close of £550k (2018: £466k) reflected an increase in stock and debtors offset by an increase in the amount owed to creditors. Consistent with its principles of social responsibility, it is a matter of policy that supplier liabilities are paid on time.

After making provision for potential losses on maturation on forward foreign currency contracts, the company year-end balance sheet showed net assets of £3.4m, (2018: £3.4m).

THE GOLD STANDARD

The Gold Standard was established by the Company to define the conduct of its business in 2004. The key principles are as follows:

- The Company primarily supports and is influenced by smallholder growers in the developing world. Growers have the right to nominate and appoint one quarter of the Company's board of directors;
- The Company's financial policy is structured to provide both social and financial returns to stakeholders, including members. To deliver the social return, each year at least one third of the Company's audited profit is specifically allocated to strengthening smallholder grower organisations in developing countries; and
- The Company measures the social, environmental and financial impacts of its business. It sets targets, strives for sustained improvement and annually reports progress to its members in a transparent manner.

In 2019 Cafédirect undertook a review of its Gold Standard. The improved and updated Gold Standard was approved by the Guardian Share Company. In addition Cafédirect launched a comprehensive Impact Report during the first half of 2019.

There are four key elements to the Company's plan to meet its obligations under The Gold Standard as follows:

- Repairing Our Planet – sustainable landscapes and use of resources
- Helping the Growers Build Businesses for the Future – building on growers' role in Cafédirect, empowerment to drive change
- Providing a ridiculously good experience for the consumer – innovate and inspire, mobilise people
- Championing Business as a Force for Good – influence through business activism, collaboration, defining best practice

The above are supported 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 was presented to shareholders at its Annual General Meeting held 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, customer 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 2019 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 2019 against these indicators is set out in the 'Benefits to Growers' section below.

BENEFITS TO GROWERS

As a Fairtrade company, Cafédirect meets all of the requirements laid down by the Fairtrade Labelling Organisation (FLO), including the payment of Fairtrade premiums for coffee, tea and cocoa raw materials. In 2019, Cafédirect paid Fairtrade premiums of £535,183 (2018: £447,509). In addition, Cafédirect markedly increased its commitment to Organic - payments of Organic Premiums increased by over 50% to £355,101 (2018 £234,459).

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 2019, Cafédirect made donations of £100,000 to Producers Direct (2018 £100,000) to support the organisation.

This has enabled Producers Direct 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 sustaining financial losses to ensure that the base operating costs of Producers Direct were funded. It is planned to continue to do so whilst Cafédirect's profitability is at such a level that the resultant donation arising from the formula would not provide adequate funding to meet the basic operational needs of Producers Direct. 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 2019 were as follows:

- 1,424 tonnes of coffee beans (2018: 1,210 tonnes);
- 88 tonnes of tea (2018: 83 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. During February and March 2020 further potential risk to supply presented itself in the form of the potential for a global pandemic brought about by the spread of the Coronavirus disease. At the time of writing Cafédirect is in possession of peak stock of Peru beans that were contracted to purchase from the last harvest (the raw material for its best-selling product) and sufficient supplies are secured to meet the business' need for a minimum of 5-6 months. The directors consider that this offers sufficient contingency but will continue to monitor and take action to accommodate any developments and minimise risk to Cafédirect's trade;
- 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 2019 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;
- Competitive pricing and discounting in the hot beverages market 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;
- Cafédirect operates within working capital constraints which can be exacerbated by the seasonal nature of coffee harvests. This necessitates both a commitment to purchase and investment of working capital in raw material stocks well in advance of sales. The company mitigates this risk by forward planning of coffee purchases; ensuring a strong focus on cash management; maintaining borrowing facilities secured against raw material stock at peak times of the year (not utilised during 2019), as necessary, and ensuring that business plans establish a sustainable cash position for the future
- Continued uncertainty surrounding the impact of the UK's exit from the European Union and risk to inbound supply of finished goods from partners based in member countries – currently the Republic of Ireland, Germany and Poland - constitutes ongoing material risk to the business. Cafédirect has executed sound contingency planning which evolves as the situation and consequences become clearer with the aim of derisking both continuity of supply and costs;

- The unknown future risk and impacts of the spread of the Coronavirus in the UK were being considered at the time of writing by the Executive of Cafédirect in the context of its responsibilities as an employer and corporate citizen. This was as well as to discuss contingency planning in the event of disruption to travel and conduct of business caused by sensible efforts to contain (such as self-isolation of employees or Government directives or advice to do so). The aim is to protect, so far as it is able, its employees and the wider population from infection and to safeguard Cafédirect's commercial and financial position during a period that appears to present material risk of developing into a national and international crisis. Cafédirect has assembled a policy document to determine actions that will be taken as the situation develops. This will be shared with all staff.

SECTION 172 STATEMENT

This section serves as Cafédirect plc's section 172 statement and should be read in conjunction with the contents elsewhere in this strategic report. Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders in their decision making. The directors continue to have regard to the interests of the Company's employees and other stakeholders including the impact of its activities on the community. Cafédirect embraces its responsibilities diligently and with great care to protect the interests of a diverse range of stakeholders, including in particular the farmers who supply the raw materials for its products. The directors are guided in all of their decision making by the Company's Gold Standard and Cafédirect's status as a social enterprise and certified B-Corporation.

The directors also recognise the importance of respecting commercial necessities and safeguarding the interests of its shareholders. It enacts this by ensuring Cafédirect is a viable and ambitious trading company that can maximise its impact on stakeholders by achieving great success in sales growth and financial performance.

The directors are fully aware of their responsibilities to promote the success of the Company in accordance with the act and takes regular steps to consider, at a board level, how it is operating in line with good corporate practice. The board structure reflects how seriously Cafédirect considers the interests of its stakeholders by maintaining representation on the board including two directors from the growing community, a consumer and finance director, a shareholder nominated director and a director nominated by the Guardian Share Company (see Directors' Report).

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 consistent 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 will continue ensure the future success of the business.

By order of the Board

John Steel
Director

18th March 2020

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2019.

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.

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 (2018: 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:

	2019 Ordinary Shares	2018 Ordinary Shares
John Philips	20,055	-
Hendrik Baron de Kock	-	-
Belinda Gooding	1,667	1,667
Lebi Hudson	-	-
John Shaw	2,000	2,000
John Steel	4,882	3,082
Lenin Tocto Minga	-	-
Monica Middleton	-	-

At a Board Meeting on 10th December 2019 Monica Middleton was nominated and formally appointed as the Guardian Share Company's nominated Director of Cafédirect plc following the resignation of John Shaw from the Guardian Share Company at its Board meeting of 9th December 2019. At that same meeting Monica Middleton was nominated and appointed as his replacement as Chair.

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%

DIRECTORS' REPORT

ANALYSIS OF ORDINARY SHAREHOLDERS AT 31 DECEMBER 2019

Number of shares	Number of shareholders	% of total shareholders	Number of shares	% of total Shares
1 – 500	2,163	51.2	872,583	7.7
501 – 1,000	1,006	23.8	918,022	8.1
1,001 – 5,000	908	21.5	2,166,909	19.0
5,001 – 10,000	81	1.9	600,299	5.3
10,001 and over	67	1.6	6,826,393	60.0
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 (2018: £100,000). The company made no political donations during the year (2018: 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.

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.

Share Ownership
Cafédirect is committed to increasing the ownership of shares in the Company by its employees. While no awards were made during 2019, it is planned to launch a new scheme during 2020 to expand equity ownership among staff.

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.

DIRECTORS' REPORT

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 £156,484 (2018 £170,901), demonstrating the continuing stability of Cafédirect having incurred losses in the 8 years prior to 2018. The 2019 result was achieved despite significant pressure on costs arising from adverse movements in foreign exchange.

Planning for 2020 financial year was prepared on the basis of a continuation of strategies to capitalise on the brand and account growth that was so successfully executed during 2019. Cafédirect will continue to invest in the brand and its products whilst taking great care to maintain sufficient working capital to sustain the business in its current state, and during planned future growth. It also assumes that work will continue to focus on profitable business and supply chain efficiency. Alongside this, developments in stock management processes are planned to reduce overall stockholding to improve the working capital position.

Having reviewed the plans and associated forecasts, long term loan facility, additional working capital facilities currently unutilised, 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.

The Directors also considered contingent risks to Cafédirect's profitability and working capital as a result of the Coronovirus pandemic and undertook an exercise to model scenarios based on varying levels of severity - assessments that were derived from its knowledge of the potential consequences at the time of approving these accounts

The conclusion of this exercise showed that, while Cafédirect was sufficiently resilient to withstand low and mid case scenarios without recourse to special measures or sourcing additional working capital, the high severity scenario would require Cafédirect to either liquidate assets or to seek additional funding for a period of two months.

At its board meeting of March 2020, the directors considered the options available to secure the company's working capital position during the period, and made resolutions to explore identified sources of funding, identifying assets that could be swiftly liquidated (raw material coffee bean stock) as well as a detailed action plan to reduce operating expenses. In addition it resolved to implement a system of close monitoring and detailed review of cashflows during the constrained period.

It concluded that whilst the situation as known at the time presented significant challenges to the business, that it was confident, having reviewed in detail the potential scenarios of its capability to adapt and manage within its working capital constraints and that Cafédirect could continue to trade as a going concern for the foreseeable future.

AUDITOR

A resolution to reappoint Crowe UK LLP as the company's auditor will be put to the members at the Annual General Meeting.

By order of the Board

John Philips
Chairman

18th March 2020

CODE OF BEST PRACTICE

The Board recognises that the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018, 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 2019, the Board consisted of:

Non-executive chair
Chief Executive
2 Independent non-executive directors (consumer and finance representatives*)
2 Producer directors
1 Guardian Share Company nominee director
1 Oikocredit nominee director
* Two independent non-executive directors are in place on a transitional basis to facilitate succession planning and it is expected that this will return to one during 2020.

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 NED at Glutenberg Groupe and Jogogo Media Inc.

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 informed the board of her intention to resign with effect from March 2020. Monica Middleton (see below) will assume the role of Consumer Director and member of the Company's nominations and remuneration committee, in addition to her responsibilities as Guardian Share Company nominee director.

Guardian Share Company nominee director:
Monica Middleton was appointed as a director (and a member of the company's Nominations and Remuneration Committee) in December 2019, replacing John Shaw who informed the board of his intention to resign with effect from March 2020 and had resigned as a director of the Guardian Share Company in December 2019). Monica was appointed as Chair of the Guardian Share Company in

December 2019 and will serve on the board of Cafédirect as its nominee director.

Monica was formerly UK National Managing Director of international social investor, Oikocredit, prior to which she spent the bulk of her career in director level positions with a number of blue-chip media, consumer goods and tech companies. She is a non-executive director for the Ethical Property Company and Chair of its Investment Committee as well as Chair of UK Women in Social Finance. She also previously served as a director of the Guardian Share Company.

Financial director
Further to John Shaw's notified intention to resign with effect from March 2020, after serving on the board for over ten years, the process of identifying a suitable replacement commenced following the board meeting of December 2019. Robert Humphreys was appointed as a director in John Shaw's place at its board meeting in March 2020.

Robert previously served as the Director of Finance and Information Systems at Oxfam GB between 2009 and 2016, and prior to that worked in professional practice for PriceWaterhouseCoopers for 26 years. His work for PwC was characterised by exposure to a broad range of both for-profit and not-for-profit organisations. He has recently stepped back from full-time employment to focus on developing his contribution as a board member across a range of sectors. He currently serves on the board of a major not-for-profit organisation, and is a member of the ICAEW Corporate Governance Committee.

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:
Hendrik Baron De Kock 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 18.

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.

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 Turnbull 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

18th March 2020

REPORT OF THE AUDIT COMMITTEE ON BEHALF OF THE BOARD

Committee members during the year were:

John Shaw (Chair)
Hendrik Baron de Kock
Belinda Gooding (co-opted member due to the absence through illness of Hendrik from January – May 2019)

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 and the Chief Executive Officer, who, in keeping with good practice are not formally members of the Committee. Due to the absence of Hendrik Baron de Kock, Belinda Gooding was co-opted to the Committee during the period from January through to May.

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 four times during the year and again in February 2020 to review these accounts and the audit findings report. 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:

- Review of 2018 financial accounts and audit following the re-appointment of Crowe UK LLP as the company's auditor;
- 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.
- Oversight of the project to implement SAP Business One in the organisation;
- 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, including compliance with banking covenants relating to facilities in place with Triodos
- Reviewing foreign exchange hedging arrangements.
- Reviewing a potential exposure identified in relation to the company's pallet rental agreement and supporting business decisions to reduce or eliminate the potential cost, which had been fully provided in the 2018 accounts.

The Committee remained focused on a final closure of key issues that had been identified in the audit findings report of 2016 that amounted to material control weaknesses. Most of these had been fully addressed by the beginning of 2019 while certain matters had been deferred pending the implementation of a new system to manage finance and supply chain functions. SAP Business One was implemented during the Autumn of 2019 and the Committee were kept fully appraised of progress of the project and risks arising.

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 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 been breached on six occasions during 2019, all but one of which were for achievement of profit above the budgeted value communicated to the bank. These five breaches were confirmed by Triodos as not being a matter for concern. The sixth breach occurred in November 2019 where reported profit was outside of tolerance below the budget target. This was mainly due to timing where expenditure had been incurred earlier than budgeted. Cafédirect was back within covenant conditions by the end of December. Given this, and the fact that Cafédirect had recorded a profit for the year that was significantly better than budget, Triodos confirmed that this would also not be a matter of concern for the bank, with no further action required.

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.

The Committee regards two successive years of sales growth, profitability and over-achievement of key budget targets as indicators of sound internal controls, governance and effective interaction between staff, the Executive and the Board of Directors. In addition, the successful implementation of SAP Business One in 2019, together with subsequent phases of development of the system to bring about further improvements in management of business process - such as an integrated system of sales forecasting and supply chain management - provides the tools to enable further improved cost efficiency, margin and working capital management in the future. This is still regarded as vital by the Committee for the ongoing viability of Cafédirect and it shall continue to maintain close oversight of delivery of these projects and the integrity of internal processes.

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 5 and 6).

John Shaw
Chair – Audit Committee

18th March 2020

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

Committee members during the year have been:

Belinda Gooding

John Philips

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 three times in 2019.

NOMINATIONS - KEY ACTIVITIES

In 2019 John Shaw and Belinda Gooding informed the board of their intentions to resign with effect from March 2020. Monica Middleton was recommended by the Guardian Share Committee and approved by the Board in December 2019 to replace Belinda Gooding.

Objective:

To recruit a new Non-Executive Director, following John Shaw informing the committee of his intention to resign with effect from March 2020.

Outcome:

The process began in mid-2019, 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 Non-Executive Director. Final short-listed candidates were interviewed in February 2020, and it was decided to recommend Robert Humphreys' appointment to the board at its meeting of 17th March 2020.

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 2019. 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.

Objective:

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

Outcome:

An annual senior executive bonus scheme was approved (up to 30% of basic salary) based on a gain-sharing philosophy to enhance both financial and Gold Standard performance.

No share incentive plan was approved in 2019.

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

There is only one Executive Director, the Chief Executive Officer. Basic entitlements: The executive director has a service contract that is subject to a notice period from the company and the employee of 6 months. The executive director is paid a basic salary subject to annual review. In addition, he is entitled to a share in an annual senior executive bonus. The benefit of private medical insurance is available to all employees, including the executive director.

Pension provision: The executive director is 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 2018.

DIRECTORS' REMUNERATION

For the year ended 31 December 2019:	Fees £	Salary £	Pension Contribution £	Total £
John Philips (Chair)	15,000	-	-	15,000
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)	-	139,245	12,160	151,406
Lenin Tocto Minga	5,000	-	-	5,000
Monica Middleton	-	-	-	-
	38,000	139,245	12,160	189,406

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

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

Hendrik Baron de Kock's fees, amounting to €8,000, are paid by Oikocredit Ecumenical Development Co-Operative Society, U.A..

DIRECTORS' ATTENDANCE AT MEETINGS

For the year ended 31 December 2019:	Full Board Meetings	Remuneration Committee	Audit Committee
John Philips (Chair)	6	3	-
Hendrik Baron de Kock	5	-	2
Belinda Gooding	6	3	3
Lebi Hudson	4	3	-
John Shaw	6	-	4
John Steel	6	3	3
Lenin Tocto Minga	4	-	-
Monica Middleton	-	-	-

Belinda Gooding
Chair – Nominations and Remuneration Committee

18th March 2020

Opinion

We have audited the financial statements of Cafédirect plc (the "Company") for the year ended 31 December 2019, which comprise:

- the income statement and statement of comprehensive income for the year ended 31 December 2019;
- the statement of financial position as at 31 December 2019;
- 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 2019 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the full extent of the impact of the COVID-19 infection is not yet known and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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 £133,000 (2018: £120,000) based on 1% (2018: 1%) of revenue at the planning stage. We have not considered it necessary to revise our materiality during the audit as the final revenue did not result in a materiality that significantly differed from that established at the planning stage.

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 £3,300 (2018: £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 2019, the Company held £3.4 million (2018: £3.0 million) of stock in several locations. Given the size of the net stock balance relative to the assets of the Company, the valuation of stock 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. • For the same sample, testing that the stock is carried at the lower of its cost and fair value less cost to sell, by agreement to recent selling prices • Assessing the completeness of the stock provision by reviewing the age of inventory held as at 31 December 2019, and by comparison to prior year provisioning as a percentage of gross stock.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Going concern The Directors' are responsible for assessing whether the preparation of the accounts on a going concern basis is appropriate. Their assessment must cover a minimum period of 12 months from the date of the financial statements. As the Company has been operating at near break-even levels since 2018, prior to this incurring losses, and considering the liquidity position of the entity for the year ended 31 December 2019, there is risk that the preparation of the accounts on a going concern basis may not be appropriate or that adequate disclosures are not made in the financial statements. Management has also considered the range of possible impacts of COVID-19 and the potential disruption to the wider business environment.	Our procedures on the Directors' going concern assessment were as follows: • Comparing prior year forecast to the actual results achieved in 2019 to assess the historical accuracy of the Company's forecasting process. • Review of the forecast compared to the current year actual results and challenged whether forecasts appear achievable and consider all costs, including debt repayments and interest. • Obtained the latest financial results post year end 31 December 2019 to review how the company is trending toward achieving the forecast. • Performed sensitivity analysis on key inputs of the forecast by calculating the impact of various scenarios and considering the impact on the Company's ability to continue as a going concern in the event of not meeting the forecast. This included what management considered to be a severe worst-case scenario for the business, modelled with respect to COVID-19, which involved drawing on additional sources of funding, identifying assets that could be swiftly liquidated (raw material coffee bean stock) as well as a detailed action plan to reduce operating expenses. The assessment was derived from its knowledge of the potential consequences at the time of approving the accounts at the 17 March 2020 board meeting. • Reviewed the Company's compliance with its loan covenants during the year and whether there are any indications of events of default or that financing arrangements may be called due.

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 12, 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

Date: 18 March 2020

Cafédirect plc

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 £	2018 £
TURNOVER	2	14,025,825	13,107,670
Cost of sales	3	(11,032,228)	(10,358,440)
GROSS PROFIT		2,993,597	2,749,230
Administrative expenses	4	(2,782,125)	(2,504,158)
OPERATING PROFIT/(LOSS)		211,472	245,072
Interest receivable and similar income	5	454	488
Interest payable and similar charges	6	(55,442)	(82,876)
Dividends	7	-	8,217
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	8	156,484	170,901
Taxation	10	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR		156,484	170,901
OTHER COMPREHENSIVE INCOME			
Fair value (losses) / gains on foreign exchange forward contracts	17	(203,336)	(57,629)
Fair value gains / (losses) reclassified to profit and loss	17	47,078	104,521
Other comprehensive income		(156,258)	46,892
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		226	217,793

STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2019

	Notes	2019 £	2018
FIXED ASSETS			
Intangible assets	11	146,780	91,105
Tangible assets	12	113,055	137,290
		259,835	228,395
CURRENT ASSETS			
Stocks	13	3,441,954	2,950,219
Debtors due within one year	14	2,152,255	2,036,402
Cash at bank and in hand		550,271	465,639
		6,144,480	5,452,260
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(2,125,811)	(1,250,853)
NET CURRENT ASSETS		4,018,669	4,201,407
TOTAL ASSETS LESS CURRENT LIABILITIES		4,278,504	4,429,802
Creditors: amounts falling due in more than one year	16	(842,768)	(994,292)
NET ASSETS		3,435,736	3,435,510

	Notes	2019 £	2018 £
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	(142,864)	13,394
Profit and loss account		(3,441,539)	(3,598,023)
TOTAL EQUITY		3,435,736	3,435,510

The financial statements on pages 23 to 44 were approved by the board of directors and authorised for issue on 18th March 2020 and are signed on its behalf by:

John Shaw
Director

Cafédirect plc

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Notes	Share capital £	Share premium £	Hedging reserve £	Profit and loss account £	Total £
Balance at 1 January 2019		2,846,051	4,174,088	13,394	(3,598,023)	3,435,510
Profit for the year		-	-	-	156,484	156,484
Other comprehensive income, net of tax:-						
Fair value gains on effective hedge	17	-	-	(203,336)	-	(203,336)
Fair value gains reclassified to profit and loss	17	-	-	47,078	-	47,078
Total comprehensive income for the year				(156,258)	156,484	226
Balance at 31 December 2020		2,846,051	4,174,088	(142,864)	(3,441,539)	3,435,736

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 £	2018 £
OPERATING ACTIVITIES			
Cash generated (used) in operations	20	480,642	(110,161)
Interest paid		(55,442)	(82,876)
NET CASH USED IN OPERATING ACTIVITIES		425,200	(193,037)
INVESTING ACTIVITIES			
Purchase of intangible assets		(157,026)	(7,800)
Purchase of tangible fixed assets		(39,488)	(103,592)
Interest received		454	488
NET CASH USED IN INVESTING ACTIVITIES		(196,060)	(110,904)
FINANCING ACTIVITIES			
Repayment of borrowings		(144,508)	(149,806)
NET CASH FROM FINANCING ACTIVITIES		(144,508)	(149,806)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		84,632	(453,747)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		465,639	919,386
NET DEBT AND CASH EQUIVALENTS AT END OF YEAR	20	550,271	465,639

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 delivered a profit after tax for the year of £156,484 (2018 £170,901), demonstrating the continuing stability of Cafédirect having incurred losses in the 8 years prior to 2018. The 2019 result was achieved despite significant pressure on costs arising from adverse movements in foreign exchange.

Planning for 2020 financial year was prepared on the basis of a continuation of strategies to capitalise on the brand and account growth that was so successfully executed during 2019. Cafédirect will continue to invest in the brand and its products whilst taking great care to maintain sufficient working capital to sustain the business in its current state, and during planned future growth. It also assumes that work will continue to focus on profitable business and supply chain efficiency. Alongside this, developments in stock management processes are planned to reduce overall stockholding to improve the working capital position.

Having reviewed the plans and associated forecasts, long term loan facility, additional working capital facilities currently unutilised, 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.

The Directors also considered contingent risks to Cafédirect's profitability and working capital as a result of the Coronovirus pandemic and undertook an exercise to model scenarios based on varying levels of severity - assessments that were derived from its knowledge of the potential consequences at the time of approving these accounts

The conclusion of this exercise showed that, while Cafédirect was sufficiently resilient to withstand low and mid case scenarios without recourse to special measures or sourcing additional working capital, the high severity scenario would require Cafédirect to either liquidate assets or to seek additional funding for a period of two months.

At its board meeting of March 2020, the directors considered the options available to secure the company's working capital position during the period, and made resolutions to explore identified sources of funding, identifying assets that could be swiftly liquidated (raw material coffee bean stock) as well as a detailed action plan to reduce operating expenses. In addition it resolved to implement a system of close monitoring and detailed review of cashflows during the constrained period.

It concluded that whilst the situation as known at the time presented significant challenges to the business, that it was confident, having reviewed in detail the potential scenarios of its capability to adapt and manage within its working capital constraints and that Cafédirect could continue to trade as a going concern for the foreseeable future.

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. 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	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 2019 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	2019 £	2018
Continuing operations:		
Coffee	11,966,986	11,057,837
Tea	1,366,079	1,455,359
Hot chocolate	311,894	326,698
Ancillaries	380,866	267,776
	14,025,825	13,107,670

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

	2019	2018
Geographical segments:	£	£
Continuing operations:		
UK	12,609,046	11,014,993
Overseas sales	1,416,779	2,092,677
	14,025,825	13,107,670

3. COST OF SALES INCLUDING PREMIUMS PAID TO PRODUCERS ORGANISATIONS

	2019 £	2018 £
Opening stock at start of year	2,950,220	2,932,122
Purchases	10,988,779	9,929,029
Premiums	535,183	447,508
Closing stock as at end of year	(3,441,954)	(2,950,219)
	11,032,228	10,358,440

4. ADMINISTRATION EXPENSES

	2019 £	2018 £
Staff costs and other personnel costs	1,944,545	1,578,990
Marketing costs	251,827	337,157
Property-related costs	59,349	50,179
Depreciation & Amortisation	155,015	114,088
Export development costs	-	69,547
Legal and compliance costs	59,133	55,911
IT and office costs	85,780	84,539
Other administrative expenses	126,477	84,464
Donations	100,000	100,000
Exceptional Item	-	29,283
	2,782,126	2,504,158

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £	2018 £
Interest on bank deposits	454	488

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2018
	£	£
Interest arising on:		
Other loans	55,441	82,876

7. DIVIDENDS

	2019	2018
	£	£
Ordinary Shares		
Amounts unclaimed from 2005 Dividend written off	-	(8,217)
	-	(8,217)

8. PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2019	2018
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 12)	63,727	75,214
Amortisation of intangible fixed assets (note 11)	101,431	38,874
Exchange losses / (gains)	(29,189)	(2,964)
Operating lease rentals (note 21)	56,193	59,193
Stock:		
- amounts expensed to cost of sales	8,242,111	7,893,168

Fees payable to Crowe UK LLP and its associates in respect of audit services, and fees paid to other accountancy firms for non-audit services were as follows;

	2019	2018
	£	£
Audit services - statutory audit of the company	31,000	30,000
Other services:-		
Taxation compliance services	-	1,118
	31,000	31,118

9. EMPLOYEES

	2019 No.	2018 No.
The average monthly number of persons employed by the Company during the year was:		
Sales and marketing	12	11
Operations and administration	16	16
	28	27

	2019 £	2018 £
Staff costs for the above persons:		
Wages and salaries	1,187,935	982,741
Social security costs	139,628	109,621
Other pension costs and current service cost (note 22)	90,501	80,981
Share based payments	-	10,620
	1,418,064	1,183,963

DIRECTORS

In respect of the directors of Cafédirect plc:

	2019 £	2018 £
Emoluments	173,293	159,195
Amounts paid to defined contribution pension schemes	12,160	11,863
	185,453	171,058

	2019	2018
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:

	2019 £	2018 £
Remuneration	139,245	131,810
Amounts paid to defined contribution pension schemes	12,160	11,863
	151,405	143,673

10. TAXATION

	2019	2018
	£	£
Company profit/(loss) on ordinary activities before tax	156,484	170,901
Company profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	29,732	(32,471)
Effects of:		
Expenses that are not deductible in determining taxable profit	11,403	10,726
Unutilised charitable donations	19,000	19,000
Depreciation in excess of capital allowances	-	-
Other short term timing differences	-	-
Impact of changes in rate of deferred tax	-	3,569
Tax losses not recognised as a deferred tax asset	(60,135)	(13,098
Tax expense	-	-

At 31st December 2019, the company had estimated tax trading losses of £3,120,375 (2018: £3,333,023) which are available to carry forward against future profits of the same trade.

11. INTANGIBLE ASSETS

	Computer Software £
Cost:	
1 January 2019	173,324
Additions separately acquired	157,026
Disposals	(593)
31 December 2019	329,757
Amortisation and impairment:	
1 January 2019	82,219
Amortisation charged in the year	101,431
Disposals	(593)
31 December 2019	182,977
Carrying amount:	
31 December 2019	146,780
31 December 2018	91,105

12. TANGIBLE FIXED ASSETS

	Computer equipment	Fixtures, Fittings & Equipment	Leasehold Improvements	Total
	£	£	£	£
Cost or valuation:				
1 January 2019	57,803	157,862	10,874	226,538
Additions	4,251	35,237	-	39,488
Disposals	-	-	-	-
31 December 2019	62,054	193,099	10,874	266,026
Depreciation and impairment:				
1 January 2019	18,477	69,160	1,611	89,248
Depreciation charged in the year	10,939	50,280	2,508	63,727
Disposals	-	-	-	-
31 December 2019	29,416	119,436	4,119	152,971
Carrying amount:				
31 December 2019	32,638	73,663	6,755	113,055
31 December 2018	39,325	88,702	9,263	137,290

Fixtures, Fittings & Equipment includes foodservice equipment for rental at Cost of £101,029 (2018: £120,632) with a net book value of £24,010 (2018: £57,161). This equipment is leased to customers under operating leases as noted in Note 21.

13. STOCKS

	2019	2018
	£	£
Raw materials and consumables	1,259,478	1,142,149
Work in progress	-	9,089
Finished goods and goods for resale	2,182,476	1,798,981
	3,441,954	2,950,219

14. DEBTORS

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	1,855,291	1,781,939
Other debtors	106,754	109,376
Foreign currency forward contracts (note 17)	-	13,394
Prepayments and accrued income	190,210	131,693
	2,152,255	2,036,402

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Bank loans	151,524	144,508
Trade creditors	1,267,956	454,172
Other taxation and social security costs	39,895	41,407
Other creditors	15,735	14,017
Foreign currency forward contracts (note 17)	142,864	-
Accruals and deferred income	507,837	596,749
	2,125,811	1,250,853

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

	2019 £	2018 £
Bank loans	842,768	994,292
	842,768	994,292

Included in creditors are:

	2019 £	2018 £
Amounts due by instalments falling due after more than five years	159,454	342,615
	159,454	342,615

Bank borrowings are repayable between 1 January 2019 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:

	2019 £	2018 £
Financial assets:		
Debt instruments measured at amortised cost	2,702,496	2,358,926
Instruments measured at fair value through profit or loss	-	13,394
Total	2,702,496	2,372,320
Financial liabilities:		
Measured at amortised cost	2,818,870	2,358,882
Instruments measured at fair value through profit or loss	142,864	-
Total	2,961,734	2,358,882

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 £203,336 (2018: loss £57,629) on foreign exchange forward contracts are deferred in other comprehensive income and will be charged to profit or loss at the maturity of contract. £47,078 was released in the year ended 31 December 2019 (2018: £104,521 released).

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

	2019	2018
	£	£
Foreign Currency Forward Contracts	(142,864)	13,394
	(142,864)	13,394

18. PROVISIONS FOR LIABILITIES

	Deferred Taxation	Total
	£	£
1 January 2019	-	-
Utilised in the year	-	-
31 December 2019	-	-

	2019	2018
Provision for deferred tax has been made as follows:	£	£
Deferred tax liabilities	37,338	17,848
Deferred tax assets	(37,338)	(17,848)
	-	-

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

Deferred tax liabilities:	2019	2018
	£	£
Accelerated capital allowances	37,338	17,848

Deferred tax assets:	2019	2018
	£	£
Other timing differences	-	-
Losses and other deductions	37,338	17,848
	37,338	17,848

19. SHARE CAPITAL & RESERVES

SHARE CAPITAL

As at 31 December 2019	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

	2019	2018
	£	£
Profit/(loss) after tax	156,484	170,901
Adjustments for:		
Depreciation of tangible fixed assets	63,727	75,214
Amortisation of intangible assets	101,351	38,874
Interest receivable	(454)	(488)
Interest payable	55,442	82,876
Operating cash flows before movements in working capital	376,549	367,377
(Increase)/Decrease in stock	(491,734)	(18,097)
(Increase)/Decrease in trade and other debtors	(129,247)	7,947
Increase/(Decrease) in trade and other creditors	725,074	(467,388)
Cash generated from / (used in) operations	480,642	(110,161)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	2019	2018
	£	£
Cash at bank and in hand	550,271	465,639
	550,271	465,639

21. COMMITMENTS UNDER OPERATING LEASES

The Company as lessee:

The total future minimum lease payments under non-cancellable operating leases for leasehold property are as follows:

	2019	2018
Amounts due:	£	£
Within one year	101,348	73,897
Between one and five years	43,112	-
	144,460	73,897

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:

	2019	2018
Amounts due:	£	£
Within one year	23,084	56,193
Between one and five years	4,716	27,800
	27,800	83,993

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 (2018: £88,515). Contributions amounting to £10,987 were owing at 31st December 2019.

23. OTHER FINANCIAL COMMITMENTS

At 31 December 2019 the company was committed to purchase £1,884,134 (2018: £2,138,592) of coffee beans.

24. RELATED PARTY TRANSACTIONS

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

	2019	2018
	£	£
Sales of goods in year	403,938	396,738
Services provided to the company	-	-
Services provided by the company	20,621	12,498
Charitable donations	100,000	100,000
Amounts owed by related parties at year end	-	24,796
Amounts owed to related parties at year end	8,853	-

The related parties in 2019 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 (2018: £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 £775,064 (2018: £579,585).