Committed To Our Gold Standard

Annual Review 2013

DELICIOUS HOT DRINKS
CAFÉDIRECT
MADE THE SMALL WAY

Letter From Pangoa

Dear Shareholders,

Cooperativa Agraria Pangoa was established in 1977 by 50 partner farmers who decided to create their own cooperative in the Pangoa region. The cooperative currently has 650 coffee and cocoa members and our main markets are Canada, England, United States and France.

In 2001, we achieved the coffee and cocoa organic and FLO certification and we improved our coffee quality standards and expertise by participating in SCAA (Speciality coffee association of America). We have also learned our responsibilities as exporters.

We invest fair trade premiums in social projects for our partners. We are currently developing the following areas:

- **Education:** Paying university fees for our member's families. We currently have 17 university students.
- **Health:** Guaranteeing access to health funds for our partners.
- **Housing:** Building houses with improved facilities and complete hygienic services.
- **Gender equity:** A special committee called CODEMU has been created with the objective of developing women role in the community.
- **Other projects:** Renewal and enhancement of coffee plantations, coffee quality improvement and refreshing ageing memberships.

Cafédirect has also sponsored through CPF the 'escuela de lideres' (school for leaders). An eight module training that provides administrative skills for future young leaders who will help in the cooperative management.

Successfully hosting the 'Joint Futures' Cafédirect Smallholder Producer Conference was a great achievement for us. We thank Cafédirect for the knowledge interchange and the help between coffee farmers. The event gave us confidence and encouraged every member in the cooperative to keep working hard.

Esperanza Dionisio.

Letter From The Chairman

Dear Shareholders,

Firstly I would like to thank my board colleagues and all Cafédirect employees for their hard work and commitment during a year which has been challenging from a performance perspective but positive in terms of change and progress.

Under the leadership of our new CEO, John Steel, Cafédirect has improved the way it conducts itself whilst maintaining the Gold Standard which is the soul and ethos of the business. In an environment where sales growth has remained elusive the team have accelerated innovation plans, engaged fully to add value to our customers and worked extremely hard with all stakeholders.

I would like to particularly highlight two examples of progress. Firstly, the 'Joint Futures' conference in Pangoa was incredibly successful. The logistics involved to assemble 50 delegates from around in the world in a remote area of Peru was extremely challenging, but also to add value to our growers in such a collaborative way was outstanding.

Secondly, to develop and launch the world's first Fairtrade Nespresso machine compatible pods in less than 6 months is testament to a dynamic and brave approach to innovation. The product quality is excellent and presentation second to none.

The Cafédirect Producers' Foundation (CPF) continues to run programmes which add real value to the work of our producer partners, and to attract additional funding. Congratulations must go to the CPF team their continued success.

Your board look forward to 2014 with increasing confidence. We have a strong management team, a clear strategy and are operating with pace and challenge to deliver growth, profitability, impact & influence; thus celebrating our belief that business, with the right focus, can be a real force for good in the world.

Thank you for your support.

Jeff Halliwell

Jeff Halliwell

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Letter From The CEO

Dear Shareholders

2013 has been a challenging year, although we have made great strides towards growing the business, we have seen our overall sales performance decline. In total our revenue has declined 7% to £12.8m and despite tighter cost control we have incurred a significant loss of £596,000. Full financial details are available in our financial statements which can be found on our website, www.Cafédirect.co.uk

Despite this poor performance we have made massive changes in the business which are starting to have a positive impact in 2014. Overall we worked with every employee to create a new vision for the business and revisit our mission. This then helped inform a review of our strategy and changes to our three year plan. We have also defined and implemented a set of company behaviours which are helping us to be quicker and more entrepreneurial.

Our launch of Nespresso machine compatible pods has been very well received, in addition we have launched two new single origin roast & ground coffees, Costa Rican and Colombian and a new range of teas including three single origins.

Our relationships with our customers in all channels have improved considerably as we add more value to our shared business.

In supply chain we have worked with a new logistics partner which has protected us from coffee price volatility and improved our purchasing and quality skills. We have maintained our commitment to our growers via Fairtrade premiums and Cafédirect Producers' Foundation with over £616,000 of monies.

I'm pleased to say that our annual employee survey, conducted in January 2014, shows that we continue to perform well as a good employer, offering our staff a great place to work. Overall we have made good progress, maintaining tight cost control whilst developing a clear focus on innovation to deliver growth and a profitable, sustainable position.

We are increasingly confident of our ability to grow and achieve a profitable position whilst adhering to our Gold Standard.

Thank you for your continued support.

John Steel

Introduction And Welcome

Welcome to our 2013 performance report on our Gold Standard.

This is our fifth consecutive year of reporting our progress against our Gold Standard commitments. This year we struggled with our commercial and financial performance. Nevertheless we made significant progress and maintained our key social and environmental commitments.

As always our goal is to provide a transparent update on our progress and an inspiring glimpse of the work that your investment helps bring to life.

The sections of the report mirror the three divisions of our Gold Standard, listing our commitments and sharing a selection of our key performance indicators (KPIs) that give a clear view of our performance, both in areas where we have succeeded and where we have more to do.

During 2013 we fully integrated the 19 Gold Standard KPIs into the job descriptions and objectives of every Cafédirect employee, as well as keeping them at the heart of the Executive Team Bonus Scheme.

In addition, we have included a commercial update and a spotlight story about our 2013 Joint Futures Conference in Pangoa, Peru. It is the first time that we have organised such an event and added value so comprehensively, sharing ideas across our grower community and with our processors and other stakeholders.

We believe it encapsulates all aspects of the Gold Standard and is an outstanding example of the unique way we work together.

We have once again created this report as a digital PDF to save paper and cost. In addition we have translated the report into Spanish to enable all our stakeholders to appreciate our progress and challenges.

We hope this report gives you the right amount of information you need to be.

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Commercial Update

Whilst it is disappointing to have missed out of growth yet again in 2013 we have learned a lot and made significant changes to turnaround the commercial performance.

Our new philosophy – 'Made the Small Way' was communicated via our pack design and reached more people via selected showings of the advertising in art house cinemas. The cinema advertising was a good example of a fully integrated campaign – the advertising mentioned Cafédirect being available in Waitrose and was linked to a major promotion with this important customer.

IMAGE FROM 'MADE THE SMALL WAY' FILM.

Both the new branding and communication has been received extremely positively by customers, consumers and other key stakeholders. Importantly the changes have also informed us better to make subsequent changes including new product development.

During the year our advertising reached over three million people, our Friends of Cafédirect number was 138,000 and our Facebook community grew by 30% to 29,923.

Our 2013 sales story has been most challenging, with some good successes, but more risks materialising than expected. Waitrose and Asda both performed well and supported the business. However there were major setbacks in foodservice, other key retailers and international where growth was slower than forecast.

We invested heavily in bespoke marketing support for tea in Sainsbury. Despite this Sainsbury's and Co-op delisted a number of lines during the year primarily tea and instant coffee. Morrison's switched from supporting Cafédirect as the only Fairtrade coffee brand to delisting the whole brand during a period where Cafédirect challenged Morrisons process with the ombudsmen as part of our commitment to making business fairer.

Despite challenges in tea, hot chocolate and instant coffee our Roast & Ground coffee business continued to grow with revenue sales up 7%. Our leading Origin, Machu Pichu from our Peruvian growers was the fast growing product in the top 10 worth over £2m and growing over 30%

Commercial Update

2013 commercial performance was exacerbated by a combination of delists and a very hot summer, sales in the first and final quarter of the year outperforming the summer months by over 10%.

The marked change in the second half of the year is our rapid development of insight led innovations. These have helped improve our relationships with customers and provide us with significant opportunities going forward.

In August we started developing the first ever Fairtrade Nespresso machine compatible pods, a range of four which were launched into customers at the start of 2014.

In addition we have strengthened our single origin roast & ground coffee range with new Costa Rican and Colombian single origins. Costa Rican proved a huge success in Oxfam in 2013 and Colombian is by far the biggest selling origin in the market.

Finally we have developed and launched four new tea lines, a Gold blended tea and three single origins from Kenya, Tanzania and Uganda.

Over the year we partnered with a number of key foodservice customers including the Grange hotel group, The Royal Albert Hall and strengthened our range with Arsenal.

Looking ahead there is a significant difference – we are operating more entrepreneurially to build a premium, high quality, excellent tasting, and ethical brand.

We enter 2014 not only with bold plans, but with nine new products in distribution, further innovations to follow and a clear plan driven by an energised team.

Fairtrade Nespresso compatible pods

New Costa Rican and Colombian single origins

Four new tea lines, Gold Blended and single origins

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Grower Focused In All We Do...

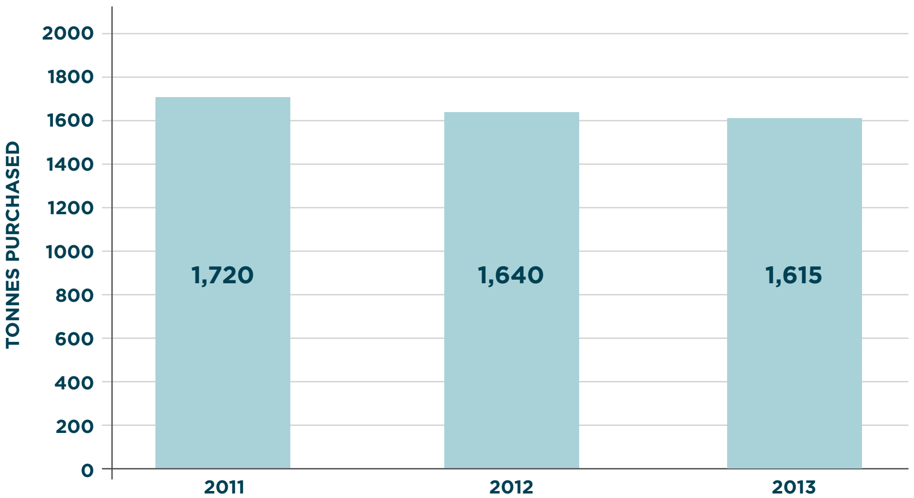
We work directly with smallholder growers through long-term partnerships, which seek to reduce the disproportionately high risks they face in the global market, increase value at origin and strengthen their voice in the company's operations.

We pay a price that recognises the cost and sustainability of production.

We invest at least one third of our profits into a grower-led programme which supports the growers' businesses so that they can become stronger and more sustainable in their own right.

Grower Focused In All We Do

Tonnes Purchased



Another difficult sales year meant that we were unable to meet our target of raising overall purchases. Although tea purchases declined, the rate of decline was much lower, cocoa purchases increased due to increased popularity, especially with foodservice customers. We achieved 99.8% of purchases from organisations certified to Fairtrade's smallholder standard with a limited amount of tea purchases coming from a smallholder owned tea estate in Rwanda.

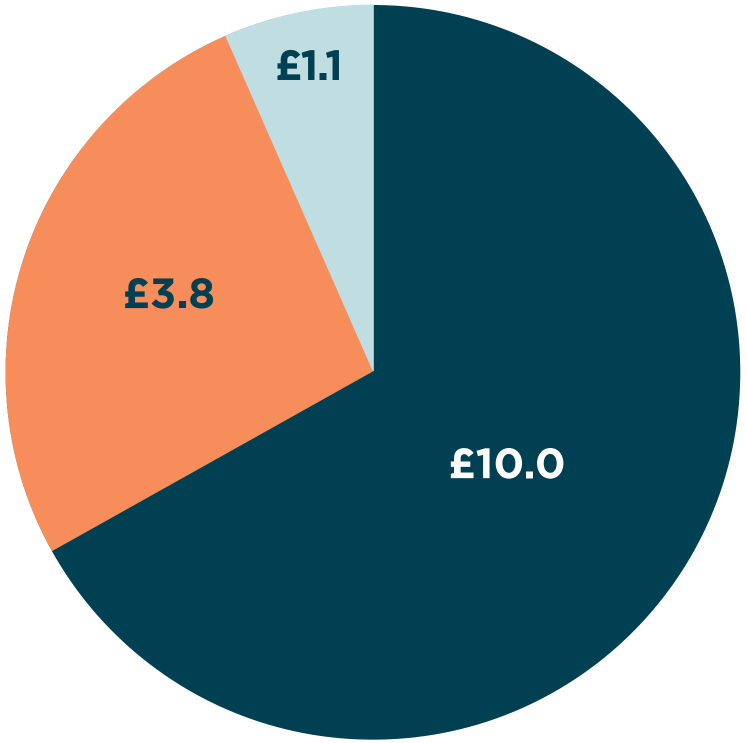
Number of Contract Defaults

ZERO

The global markets for coffee, tea and cocoa continue to be extremely volatile. We are proud to report that despite these challenges, none of our producer partners defaulted on a contract with us. This reflects the strong and personal relationship we have with our partners.

Grower Focused In All We Do

Investment in Grower Businesses & Communities

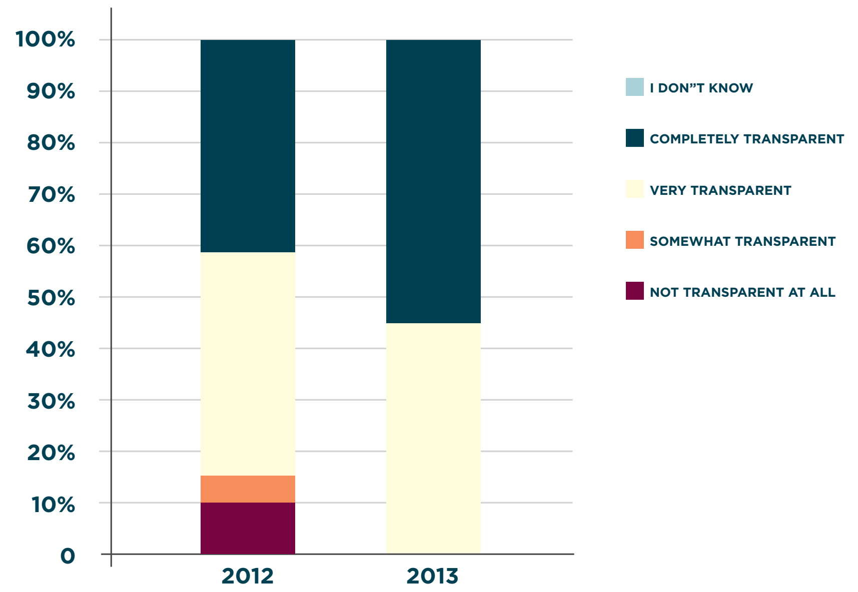


Premiums paid for raw materials above market price	**£10.0 million**
Producer Partnership Programme	**£3.8 million**
Donations to the Cafédirect Producers' Foundation	**£1.1 million**

Since becoming a plc in 2004, Cafédirect has supported growers businesses and communities with over £14.9m.

Annual Producer Survey

How would you rate Cafédirect's transparency (e.g. openness in business dealings, willingness to share information) in doing business with your organisation?



Our fourth annual producer survey reaffirmed for us that producer groups still recognise the direct, transparent and mutually beneficial relationship we have with them as trading partners.

Spotlight On Adding Value With Growers

Our 'Joint Futures' Initiative

Each year Cafédirect visits Origin and holds meetings with our grower partners. In 2013 we changed all that by running an initiative which spanned 16 co-operatives partners from eight different countries.

The idea behind the Joint Futures initiative was to create a conference to add value across our partners and producers. This brave initiative was set up to:

- Provide a platform for shared learning and collaboration
- Result in a legacy and example for the host co-operative
- Engage Cafédirect and its partners to create more value

Fairtrade Foundation, Oikocredit, Bewley's, Shared Interest, Falcon Commodities and Cafédirect's Producer Foundation sponsored the event, contributing financially and in terms of expertise and input.

The event was hosted at Pangoa's cooperative in St Martin De Pangoa – a conference centre was built and catering facilities were created, leaving a legacy for the cooperative in terms of facilities for the management and leadership of the business.

During the first day of the event, Cafédirect presented the update on the strategic planning and vision, as well as commercial and financial results of the company followed by an update on the supply chain and procurement, detailed information on UK market, sales and marketing plans. Oikocredit-Peru presented their Social Performance Management through a Scorecard.

Spotlight On Adding Value With Growers

Fairtrade Foundation presented the strategy for Producer Networks in the International Fairtrade System and finally all the producer cooperatives had a brief opportunity to present general information of their cooperative including recent challenges, successes and plans for the future. This led to a powerful and lively debate about the future of fairtrade and the pros and cons of mainstreaming in terms of impact and understanding.

The second day of the event was focused on branding, quality and Innovation. Cafédirect started with a workshop on Developing your Brand Proposition, when we had the opportunity to explore branding strategies from Cafédirect and also see some examples of local products by many cooperatives. The second half of the day continued with the participation of Bewleys-Ireland, with a presentation on how to match consumer expectations with producer knowledge, focused on current trends in quality followed by a coffee cupping session. Day two finished with a presentation from Cafédirect Producers' Foundation (CPF) sharing strategies they are implementing for Producer Leadership and Innovation.

Day three started with Falcon Commodities-UK a presentation on tackling the risks; Market analysis and Price fixing strategies for producers.

Fairtade Foundation-UK made a presentation on Deepening the Corporate Commitment Through Fair Trade, a Fairtrade market update and strategies to enhance partnerships. Shared Interest through Pangoa Cooperative presented some examples of their services in Peru and Ecuador. Finally we finished day three with a session on Hot Topics run by CPF.

The conference finished with a field visit to some projects and farmers of Pangoa Cooperative, we split into two groups, first one visiting projects on solar dryers and plant renovation, and the second group was invited to visit a cocoa farmer and a native Mazaronquiari coffee farmer.

Overall the enthusiasm for in-market development of Cafédirect brand was exciting. Fairtrade has been about South – North trade. The joint future collaboration highlighted the opportunity to pioneer South-South trade to create additional wealth for local producers

The startling result was not only the shared knowledge but the cross cultural collaboration on shared issues such as risk management, quality and how to compete with transnational competitors.

Integrated Environmental Action

We seek to understand the positive and negative environmental impacts of all aspects across our supply chain, from grower to consumer.

In our work with smallholder growers, we encourage environmentally sustainable production, support the positive impact they have on the environment, and strengthen their ability to adapt to climate change. We collaborate with our processing partners across our supply chain and use our influence to incentivise the highest environmental performance and to spur innovation.

We use our business model to encourage responsible consumption. We take full responsibility to measure and reduce the negative impacts under our control.

Integrated Environmental Action

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In our work with smallholder growers, we encourage environmentally sustainable production, support the positive impact they have on the environment, and strengthen their ability to adapt to climate change. We collaborate with our processing partners across the value chain and use our influence to incentivise the highest environmental performance and to spur on innovation.

We use our business model to encourage responsible consumption. We take full responsibility to measure and reduce the negative impacts under our control.

Reduction in our office carbon footprint

8%

The percentage decrease in carbon emissions related to Cafédirect's offices in London, with the highest reduction being in procurement (68%). Since 2009, we have reduced our direct carbon emission by 13%. Emissions per employee have decreased by 4%, from 4.9 tonnes CO2e to 4.7 tonnes of CO2e.

Reduction of our carbon footprint across the supply chain

4.7%

The percentage decrease in the overall carbon footprint of our processors and distributors.

Our annual carbon footprint analysis has shown repeatedly that most of our products' footprint comes from production on farm, and consumption. However, we work very hard to reduce our own footprint, and the ones from our manufacturers with contracts requiring environmental impact information.

After having 100% of processing and distribution contracts requiring environmental impact information, our focus can now move further towards our producers. To date, Cafédirect has received environmental impact information from 48% of its producers (17 co-ops out of 40).

Manufacturing contracts with environmental reporting

100%

During 2013 we made sure all our manufacturing partners include clauses to provide annual updates on environmental impact and we began working with another new manufacturing partner who met our requirements and is like-minded in our pursuit of more environmentally friendly products.

Important Initiatives to encourage responsible consumption:

- Recycling Labelling on Freeze Dried, Tea and Hot Chocolate
- FSC cardboard on tea

An Inspirational And Accountable Business

We strive to be the most influential ethical business in the UK, leading by example, and inspiring positive change.

As a public company and a social enterprise, we conduct business professionally and aim to deliver a strong social return to our shareholders through additional support to growers.

We engage all employees in Cafédirect's vision and mission and in connections with our grower partners, and ensure they achieve their full potential through continuous learning and regular, transparent performance management.

An Inspirational And Accountable Business

With our roots in the fair trade movement. We seek out partnerships with like-minded organisations, suppliers, customers, individuals and investors who believe in the power of trading fairly to create sustainable livelihoods, and also with those for whom we can be a catalyst for change towards these beliefs.

We enable consumers to use their purchases to break down anonymous trading relationships, increase awareness of our global interdependence and to help balance inequities in knowledge and power.

We communicate with stakeholders in an open, transparent way, making contact easy, taking all input seriously and responding honestly and promptly.

We publish our commitments, measure progress towards them and report that progress simply and transparently, including independent verification where appropriate.

Improved dialogue with consumers

www.Cafédirect.co.uk/smallstory

In 2013 we showed our Made The Small Way advertising in cinemas, reaching more consumers with greater impact.

In addition we created a film about our new Costa Rica coffee showing how our coffee tastes better and showcasing our close relationship with our Costa Rican growers. Our Juan day gave consumers the opportunity to enter direct dialogue with our Costa Rican growers.

We engaged on tea more powerfully, investing in a direct tea mailing with Sainsbury's reaching over 100,000 consumers. A call to action with our Friends of Cafédirect to defend our tea distribution in Sainsbury's received an unprecedented and powerful response.

Over the last 12 months our dialogue is increasingly transparent and more brave and challenging.

In 2013, we partnered with Ecover, Divine, Good House Keeping, Black Farmer, Rapanui, Triodos, Hello Fresh, Picture House Cinemas, Ecotricity, Marie Curie, and Sustainable Restaurant Association.

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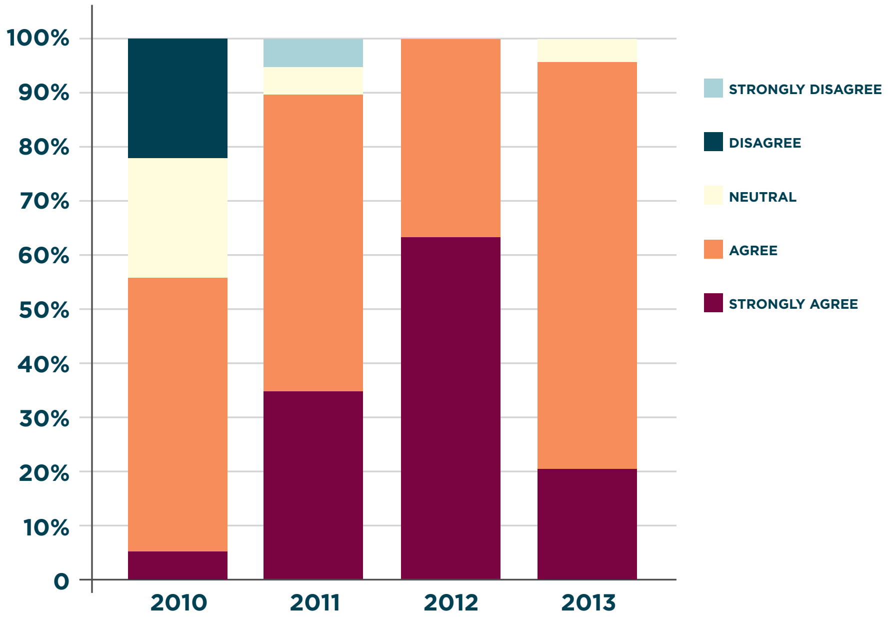
An Inspirational And Accountable Business

Employee Satisfaction KPI



When asked how much they agreed with being ‘satisfied with Cafédirect as an employer’, the vast majority of employees responded positively. This was our fourth survey and we are incredibly proud that, this year, 100% of respondents either strongly agreed or agreed with that statement.

Furthermore this year we launched a new set of behaviours with all our employees, namely, Curiosity, Being Brave, Challenging, Innovative, Dynamic. As we integrate this into the business this achievement will be a key performance indicator.

Social Media Statistics:

Facebook 29,923, a 30% increase

twitter 5,237, a 19% increase

[FOCD] 138,000, a 1% increase

In addition to our presence growing well on both Facebook and Twitter we engaged in a more dynamic way, interacting with opinion forming pieces, ethical discussions as well as partnerships and promotions.

We also continued to innovative with further work with Pinterest and using Slingshot on our website.

The Cafédirect Producers' Foundation (CPF)

The Cafédirect Producers' Foundation (CPF) continued to expand their activities with smallholder producer partners during 2013. This was achieved through three main programmes: The East Africa Producer Innovation Programme, funded by Comic Relief; Rooted in Quality, jointly funded by Cafédirect plc and the German finance institution DEG; and WeFarm, funded by the Nominet Trust and the Knight Foundation.

The East Africa Producer Innovation Programme (EAPIP) supports CPF's tea and coffee smallholder partners across East Africa to improve their farming practices; develop micro-enterprises and enhance their ability to adapt to changing climate conditions. This is achieved by supporting smallholder farmers to identify and share successful, innovative local examples; for example bee-keeping on the farm which provides additional income as well as pollination for crops. The programme supports farmers to take leadership in sharing these innovative ideas and support other farmers to trial similar ideas on their own farms. This 4-year programme began in April 2013, supported by Comic Relief, with 2013 activities focused on working with smallholder partners to plan project activities and learn more about the wide range of innovative, low-cost solutions that individual farmers are developing to tackle farming and livelihood challenges they are facing.

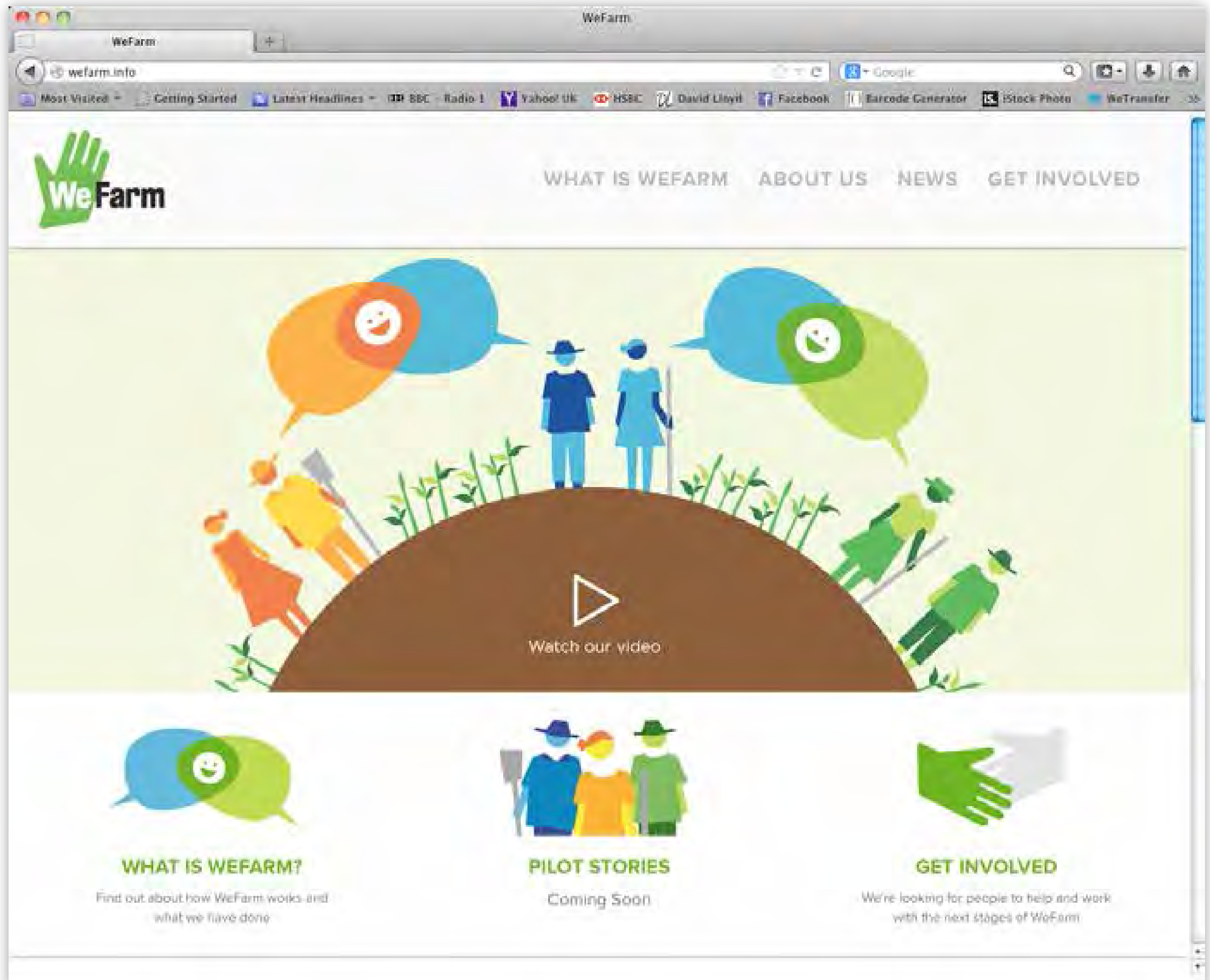
Rooted in Quality focuses on supporting smallholder farmers in the Dominican Republic and Haiti to improve their coffee quality, and diversify their incomes. CPF is working with two partner organisations – Fedecares in the Dominican Republic and Recocarno in Haiti, to deliver the project. During 2013, smallholder farming communities undertook a planning process to identify the challenges they are facing in term of the quantity and quality of coffee they produce, and then developed action plans to support them tackle these challenges. Each action plan will be led, and delivered

by the smallholder farmers themselves. Planned activities include supporting women and youth groups to develop micro-enterprises that jointly help them earn extra income and improve coffee quality, and setting up demonstration farms where successful farmers can show examples of good farming techniques that other farmers can learn from.

The Cafédirect Producers' Foundation (CPF)

WeFarm is an innovative farmer to farmer communications platform, which has been developed by CPF in partnership with producer partners in Kenya, Tanzania and Peru since 2010, with funding from the Nominet Trust and the Knight Foundation. WeFarm is the 'internet for people without internet' and empowers farmers to source and share relevant farming knowledge and ideas, anywhere and in any language through just a basic SMS message. CPF expects to fully launch WeFarm with producer partners in East Africa and Latin America by the middle of 2014. For further details on WeFarm, please see: **www.wefarm.info**

For more information on CPF and its work, please visit: **www.producersfoundation.org**



A Look To 2014

During the last 12 months we have made a number of changes which give us great confidence for the future. Here are the highlights of what you can expect to see from us:

- We will build our tea business. The launch of our high quality Gold Tea and our delicious single origin 'One Acre' teas from our growers in Uganda, Tanzania & Kenya means they are nationally available in Tesco and we plan to make our teas more widely available during the year
- We will pioneer in the fast growing pod sector. Our excellent launch of Cafédirect Nespresso machine Compatible pods is going down a storm – they are great tasting, beautifully presented and the only Fairtrade pod on the market.
- We will continue to develop our fast growing roast & ground coffee business. The launch of our outstanding Colombian and Cost Rican single origin coffees develops our strong presence in this sector
- As we drive towards our new vision we will develop new ways to interact more directly with our consumers to deliver a closer relationship with our growers and their excellent hot beverages
- Building on the exciting new products being delivered in early 2014 we will keep innovation central to our growth plans later in the year and beyond
- We will continue to be more entrepreneurial ensuring our culture is more dynamic, challenging and brave and that we behave with greater curiosity, optimism and innovation. Engaging our team in decision making and working faster together.
- We will continue to embed our Gold Standard and deliver on our promises as a genuine triple bottom line business

In summary, the progress we have made in 2013 gives us an excellent opportunity in 2014 to grow our revenues, continue to have positive impact and act sustainably whilst innovating in all that we do.

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How You Can Help

Here's what you can do to help us grow and prosper

- Ask for Cafédirect products at your local supermarket, independent store of outlet
- Ask your workplace to serve Cafédirect if it doesn't already
- Introduce friends and family to our award winning products
- Try another product from our fabulous range – especially our new products and tea and hot chocolate, which are less well known but equally delicious www.Cafedirect.co.uk/explore-our-range

To find out more about our business and to get involved in our events, you can

- Sign up for our e-newsletter at www.Cafedirect.co.uk/sign-up
- Read our blog at www.Cafedirect.co.uk/blog
- Follow us on Twitter at twitter.com/cafedirect
- Become a fan of Cafédirect on Facebook at www.facebook.com/Cafedirect

Thank you...

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Cafédirect would like to thank its grower partners, employees, shareholders, customers and consumers for their steadfast support.

Thanks also go to the Cafédirect Producers Foundation for managing and implementing the programmes with our producer partners.

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Cafédirect plc

REPORT AND FINANCIAL STATEMENTS

31 December 2013

Company Registration No. SC141496

Cafédirect plc

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

Jeff Halliwell (Chair)
Andrew Ethuru
Alvaro Gómez
Belinda Gooding
Stefan Harpe
John Shaw
John Steel

SECRETARY

Rachel Johnson

REGISTERED OFFICE

4th Floor, 115 George Street,
Edinburgh EH2 4JN

BUSINESS ADDRESS

Unit F, Fourth Floor
Zetland House
5-25 Scrutton Street
London EC2A 4HJ

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

REGISTRAR

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

SOLICITOR

Wrigleys
19 Cookridge Street
Leeds, LS2 3AG

BANKERS

Triodos Bank NV
Brunel House
11 The Promenade
Bristol, BS8 3NN

Natwest Bank plc
15 Bishopsgate
London, EC2P 2AP

The directors present their report and financial statements for the year ended 31 December 2013.

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 name Cafédirect.

No significant change in the nature of these activities occurred during the year.

RESULTS AND DIVIDENDS

The results for the year are set out on page 16.

Taking into account the company's results and Gold Standard, as well as an assessment of the company's current risk profile and future plans, the directors are not recommending the payment of a dividend (2012: 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:

	2013 No. shares	2012 No. shares
Andrew Ethuru	-	-
Álvaro Gómez	-	-
Belinda Gooding	-	-
Jeff Halliwell	1,000	-
Stefan Harpe	-	-
John Shaw	-	-
John Steel	-	-

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.	1,666,667	19.9%
Oxfam Activities Limited	903,000	10.8%
Cafédirect Producers Limited	460,600	5.5%
Rathbone Nominees Limited	310,650	3.7%

ANALYSIS OF ORDINARY SHAREHOLDERS AT 31 DECEMBER 2013

Number of shares	Number of shareholders	% of total shareholders	Number of shares	% of total shares
1 – 500	2,463	56.9	988,400	11.8
501 – 1,000	1,069	24.6	1,002,020	11.9
1,001 – 5,000	717	16.5	1,715,250	20.4
5,001 – 10,000	53	1.2	398,790	4.8
10,001 and over	36	0.8	4,289,097	51.1
Total	4,338	100.0	8,393,557	100.0

GUARDIANS' SHARE

The company has one Guardians' share, held by the Guardian Share Company Limited (Company No. 4863720). 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 £180,182 to Cafédirect Producers' Foundation (2012 cash donations: £239,744). See note 4 for further information. The company made no political donations during the year.

EMPLOYEES

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

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

Share Incentive Plan
There were no awards made during the year.

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

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

PAYMENT OF SUPPLIERS

As part of the company's Fairtrade commitment, in addition to ensuring that growers have access to necessary pre-finance, the company aims to pay the balance of money owed within three working days of receipt of invoice, supported by a bill of lading. For all other purchases, 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. Trade creditors at 31 December 2013 represented 23 days (2012: 26 days) of annual purchases.

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.

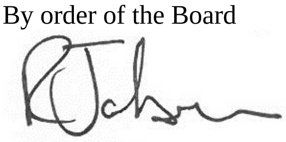
GOING CONCERN

As detailed in the strategic review, the company incurred an underlying loss for the year of £604,375. The directors have reviewed the company's cash flow forecasts for 2014 and 2015 having taken into account those measures set out in the business review to return the company to profitability. At the balance sheet date the company had cash at bank of £0.6 million and a secured overdraft facility of £1 million. Having reviewed the forecasts, the level of available funding and the current trading conditions, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Accordingly, the going concern basis has been adopted in the preparation of the accounts.

AUDITOR

A resolution to reappoint Baker Tilly UK Audit LLP as auditor will be put to the members at the Annual General Meeting.

By order of the Board



Rachel Johnson
Secretary

28 March 2014

BUSINESS REVIEW

The company's turnover for the year ended 31 December 2013 was £12.8m compared with £13.7m in 2012, a decrease of 7% (2012: Decrease of 0.7%). Progress made in previous years to develop the brand and improve relationships with retailers did lead to gross sales growth of 1% to customers in the UK retail sector which makes up 64% of the company's overall turnover. Setbacks were seen in the out of home sector though, where the market remains challenging and customers are increasingly price sensitive. As a result, the decline of 18% in sales to customers in this sector more than offset the growth to retail customers. There was also significant variation in the performance of different product groups. New product development boosted sales of Roast & Ground products whose turnover grew year on year by 5%. Freeze-Dried Coffee and Tea products, where sales are higher in the price sensitive, out of home markets, fared less well and turnover declined in the year.

Gross margin percentage increased to 22.3% in 2013 compared to 21.6% in 2012 as a result of falling input prices. Coffee prices in 2013 continued to fall from the historically high prices in the international coffee market seen in 2011 and 2012. By the end of 2013 coffee bean prices were trading well below the Fairtrade minimum price. While this will continue to benefit our gross margin, the market continues to experience extreme volatility which causes significant challenges for Cafédirect and our producer partners when planning over the medium term.

Marketing spend was maintained in 2013 with the amount invested in the brand totalling £0.8m (2012: £0.8m). Following the successful online advertising campaign which ran in 2012, the "Made The Small Way" advert was taken to the big screen and screened in cinemas. New product development formed a significant part of the marketing activity in 2013 and the launch of new products forms a key part of the company's growth strategy going forward. As well as the sales from the products themselves, this sort of innovation improves relationships with customers and is crucial to develop the brand with consumers. Development work completed in 2013 has led to the launch of 8 new products early in 2014 which the directors are confident will help deliver sales growth given the listings already achieved and the early indications of sales performance.

As part of the sales growth strategy, the sales force was increased by 3 heads in 2013 and staff costs increased as a result. Admin expenses fell in the year as a result of the continued tight cost control.

As a result of the decline in sales, and the donation made to Cafédirect Producers' Foundation (see note 4) an operating loss of £596,008 was incurred in the year. This led to a review of the company's cost base being completed and the directors agreed in their December 2013 meeting to a restructure which would result in a net reduction of 5 staff members. The reduction in the cost base of the company has been done in line with the strategic priorities which are necessary to achieve growth and so the directors are confident about the company's prospects of achieving overall sales growth and an improved financial position in 2014. This restructure took place in early in 2014 and so has had no impact on the results presented in these financial statements.

The directors are also pleased to report that, even during such a difficult year, £616,182 (2012: £692,744) cash was invested in the growers and their communities via Fairtrade premiums and the Cafédirect Producers' Foundation. Supporting Cafédirect Producers' Foundation has also enabled them to also deliver programmes with growers funded by third parties.

The company continued to maintain a strong balance sheet with cash of £0.6m (2012: £1.1m), net assets of £5.4m (2012: £6.1m) and no debt.

KEY PERFORMANCE INDICATORS

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

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

The company's performance in 2013 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 Cafédirect Producers' Foundation; and
- The volume of coffee, tea and cocoa raw materials purchased from growers.

Performance in 2013 against these indicators is set out in the 'Benefits to Growers' section below.

BENEFITS TO GROWERS

As a Fairtrade company, Cafédirect meets all the requirements laid down by the Fairtrade Labelling Organisation (FLO), including the payment of Fairtrade premiums for coffee, tea and cocoa raw materials. In 2013, Cafédirect paid Fairtrade premiums of £436,000 (2012: £453,000).

Cafédirect is unique because of its commitment to the Producer Partnership Programme (PPP), a programme that is over and above Fairtrade requirements. PPP consists of individual business development programmes tailored to the needs of disadvantaged smallholder grower organisations in developing countries. They include, inter alia, marketing, quality control, climate change mitigation and adaptation, crop husbandry and crop diversification projects.

Since 2010 the PPP has been managed by the Cafédirect Producers' Foundation (CPF), a producer-owned charity which is run by trustees some of whom are themselves coffee and tea growers. Cafédirect donates money to CPF, which decides how best to use the money to run its operations and manage the PPP. Typically, grower organisations put programmes forward for approval by CPF and implement the programmes themselves. This is an important step towards 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 programme benefits are widely shared. In 2013, Cafédirect made donations of £180,182 to CPF (2012 cash donations: £239,744) to support these charitable programmes.

Raw material purchases from grower organisations in Latin America, Africa and Asia in 2013 were as follows:

- 1,349 tonnes of coffee beans (2012: 1,411 tonnes);
- 165 tonnes of tea (2012: 192 tonnes); and
- 101 tonnes of cocoa beans (2012: 37 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 operated under 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 that face the company are as follows:

- The company buys raw material commodities (coffee, tea and cocoa) from small and disadvantaged growers, often located in remote and under-developed regions of the world. The market prices of these commodities are quoted on international commodity exchanges. Any increases or volatility in prices or shortages in supply can affect the company's performance. The company mitigates this risk by holding appropriate levels of stock in the supply chain;
- The company outsources the processing and packing of its products to third party suppliers. Any issues that these suppliers encounter could disrupt supply and affect the company's performance. To mitigate this risk the company takes out business interruption insurance, ensures that suppliers have contingency plans in place and identifies alternative supply options;
- The company is exposed to currency movements in that it buys most of its raw materials in US dollars, pays for its processing of freeze-dried coffee in Euros and sells most of its finished products in pounds sterling. The company uses foreign exchange forward contracts to mitigate this risk as set out in note 23 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; and
- Increase in aggressive pricing and discounting by competitors as they respond to the squeeze on UK household incomes can impact the company's sales volumes and market share. To mitigate this risk the company continually reviews its overall competitiveness in the market, incurs appropriate levels of promotional spend and focuses on promoting the distinctive elements of its brand.
- The company operates extensively in foreign currencies. As a result, the company enters into foreign currency forward contracts when considered appropriate. At 31 December 2013 a proportion of the company's future currency requirements were covered by such contracts. As required by FRS 25 the fair value of the exchange rate risk hedge has been disclosed in note 23 to the accounts.

By order of the Board

Rachel Johnson
Secretary

28 March 2014

CODE OF BEST PRACTICE

The Board recognises that the UK Corporate Governance Code, published by the Financial Reporting Council in September 2012, 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 31 December 2013, the Board consisted of:

Non executive chair
Chief Executive
1 Independent non executive director (consumer representative)
2 Producer directors
1 Guardians nominee director
1 Oikocredit nominee director

Each year, one third of the eligible directors retire, in rotation, at the Annual General Meeting in accordance with the company's Articles of Association. Accordingly, Jeff Halliwell and Belinda Gooding retire and, being eligible, offer themselves for re-election. 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 DIRECTORS

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

Jeff Halliwell was appointed as a director, Chair and a member of the company's Nominations and Remuneration Committee in 2012. Jeff's executive background is as Managing Director of major food manufacturing businesses such as Fox's Biscuits/ Northern Foods, and the dairy cooperative First Milk. He is now Chair of Airport Coordination Ltd., Non-Executive Director of Working Links Ltd., a Board Member of the Food Standards Agency, and Vice-Chair of Governors of the University of Bedfordshire. He was formerly a trustee of the charity Shaw Trust, and Non-Executive Director of NHS Norfolk and Waveney PCT.

Consumer director:
Belinda Gooding was appointed as a director and a member of the company's Nominations and Remuneration Committee in 2011, and became Chair of the committee in 2012. Belinda is the Founder and Chief Executive of Roots and Wings, a new organic and natural brand. From 2000 to 2007 Belinda was Chief Executive of Duchy Originals and previously worked in major FMCG businesses.

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

Producer directors:
Andrew Ethuru was appointed a director and a member of the company's Nominations and Remuneration Committee in 2009. Andrew is a non-executive director of Michimikuru Tea Company where he also serves as the chair of the Fairtrade Premium Committee. Andrew is also an elected director of the East African Fairtrade Network. Previously Andrew has served as an education board member and chair of the district health management board.

Álvaro Gómez was appointed a director in June 2010. He is the General Manager of the Coocafé coffee cooperative in Costa Rica, one of the three original organisations whose coffee Cafédirect first sold in 1991. With 31 years of experience in the cooperative movement in Costa Rica, Álvaro trained as an accountant and has a long history of assisting cooperatives to become thriving businesses.

Director nominated by Oikocredit:
Stefan Harpe was appointed a director and a member of the company's Audit Committee in 2011. Stefan is Manager – Equity Investments for Oikocredit. He is responsible for Oikocredit's 41 million Euro equity investments. He joined Oikocredit in 2005 from the AfriCap Microfinance Fund, based in Senegal, where he was the founding Manager.

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 14.

The arrangements for determining the pay of executive directors (which are included in the report by the Nominations and Remuneration Committee) will be an item on the agenda of the company's Annual General Meeting in 2014.

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.cafedirect.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:

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, The Director's 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 Turnball Guidance), was in place throughout the accounting period and up to the date when the financial statements were approved, and is regularly reviewed by the Board.

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

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

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

JShaw.

John Shaw
Director
28 March 2014

REPORT OF THE AUDIT COMMITTEE ON BEHALF OF THE BOARD

John Shaw (Chair)
Stefan Harpe

Rachel Johnson (née Ford) provided support and information to the Committee during the year in her capacity as Head of Finance. In keeping with good practice Rachel is not formally a member of the Committee. This means that the ongoing membership of the Committee is 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 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 met three times during the year and again in March 2014, which included reviewing the 2013 accounts and audit findings. The Chair of the Committee also met regularly with the Head of Finance. The key areas of activity included:

- Monitoring the integrity of the financial statements
- Reviewing the company's control environment in the light of the key findings from the audit
- Leading the Board's oversight of the risk register
- Working with the external auditors and monitoring the ongoing audit, legal and banking requirements of the company, including providing input to the audit plan
- Reviewing management authorisation levels, foreign exchange purchasing arrangements and credit approval processes as key control mechanisms for the company

The integrity of the company's financial statements can be significantly influenced by the accuracy of stock valuations and the judgements made in respect of accruals and provisions. These issues were again key areas of focus for the auditors. The Committee remained encouraged that the audit findings report did not highlight any significant issues in relation to the accuracy of stock valuations. The judgements around accruals and provisions in relation to trade marketing and retrospective discounting were seen by the auditors as prudent, but the committee were satisfied that they were appropriate given the likelihood of delayed invoicing by retailers. The Committee has been involved in considering the information on which the directors determine that the accounts should be prepared on a going concern basis. This information has also been reviewed by the auditors as part of their audit process. It was also encouraging to note once again that no significant deficiencies in internal control came to the attention of the auditors during the course of their audit work.

We reported last year that recovery of outstanding VAT in Spain was proving problematic. Efforts have continued to recover this and other outstanding amounts and our tax advisers at Baker Tilly subsequently assured us that the prospects of recovery for all outstanding amounts were good. Accordingly, a prior year provision of £35,000 was written back. At the time of concluding this report an amount of £216,000 remained outstanding in all jurisdictions.

The company maintains a comprehensive risk register, which was reviewed in detail and updated by the executive team during the year. The outcome of that review was considered by the Audit Committee and by the Board in September 2013. We are satisfied that the approach taken is appropriate and that the issues with the highest risk rating were the right issues for the organisation to be focussing on, with appropriate actions were being progressed to reduce the likelihood of the risks materialising and mitigating the impact if they do. The key risks and the approach to mitigation are set out in the Strategic report.

The need for an Internal Audit function was again reviewed and continues to be considered inappropriate at this stage. One of the influencing factors in reaching this conclusion was the continued positive assurance gained by the Committee from the audit findings. The requirement will be reassessed each year in the context of the company's control environment and size.

The Committee is satisfied that the ongoing relationship with the auditors is appropriate and effective and has considered the independence of the auditors in making this judgement.

John Shaw
Chair – Audit Committee
28 March 2013

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

Belinda Gooding
Andrew Ethuru
Jeff Halliwell

The CEO and Head of HR, as executive directors, 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 directors.

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 four times in 2013.

NOMINATIONS – KEY ACTIVITIES

- *Objective*:
  Together with the Audit Committee, the committee carried out a Board Effectiveness Review. The purpose of the review was to ensure that all Board members were working effectively and ensure skills, knowledge, experience and mindset were aligned with the strategy. At the same time a Chair Effectiveness Review was also carried out to assess the performance and impact of the Chair during first year of appointment.
  Outcome:
  All board members and executive team completed the surveys. The overall consensus was that the Board was performing well with a strong focus on strategic development. The feedback from the Chair Effectiveness Review, which was also completed by all Board members (except Jeff Halliwell) and executive team, highlighted that Jeff Halliwell had quickly established himself in the role of Chair and managed to ensure that all board members contributed fully to the meetings.

- *Objective*:
  Identify, and nominate for approval by the Board, candidates to fill Board vacancies.

  Outcome:
  In conjunction with Cafédirect Producers' Foundation planning has commenced to ensure smooth succession and transition process of producer directors which is anticipated to take place in 2015/2016.

REMUNERATION – KEY ACTIVITIES

- *Objective:*
  Determine and agree with the Board the policy, externally benchmarked, for the remuneration of the CEO, Finance Director and remaining Executive Team members. This sets the framework for considering remuneration for all employees.

  Outcome:
  The policy was reviewed during 2013. 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*:
  Determine the remuneration of the Chair of Cafédirect. The Chair of Cafédirect and the executive members of the Board determine the remuneration of all other non-executive directors.

Outcome:
The fees for non-executive directors remain at the 2012 level. Stefan Harpe (since appointment) continues to waive his fees.

- *Objective*:
  Approve the design of any performance-related pay schemes and share incentive plans.

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

- *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's default pension fund is the Friends Provident Stewardship Fund. The company contribution is 9% of basic salary subject to a minimum employee contribution of 1%. A review was undertaken and it was determined that the scheme continues to perform when compared with alternative schemes in its sector.

  During 2013 RSM Tenon, the retained financial advisors and administrators of the pension scheme, merged with Baker Tilly. There has been no impact to service or auditor's independence.

Executive Directors

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

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

Share Incentive Plan (SIP): There were no awards made during the year.

CHAIR AND NON-EXECUTIVE DIRECTORS' FEES

The remuneration of the Chair and the non-executive directors is at levels intended to attract individuals of an appropriate calibre and commitment.

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 2012.

DIRECTORS' REMUNERATION

For the year ended 31 December 2013:	Fees £	Salary £	Bonus £	Pension contribs £	Other benefits † £	Total £
Jeff Halliwell (Chair)	10,000	-	-	-	-	10,000
Andrew Ethuru	6,000	-	-	-	-	6,000
Alvaro Gomez	5,000	-	-	-	-	5,000
Belinda Gooding	6,000	-	-	-	-	6,000
Stefan Harpe	-	-	-	-	-	-
John Steel (Chief Executive)	-	120,000	-	10,800	-	130,800
John Shaw	6,000	-	-	-	-	6,000
	33,000	120,000	-	10,800	-	163,800

Fees for Álvaro Gómez are paid to his employer, the Coocafé coffee cooperative in Costa Rica.

Stefan Harpe has waived his fees.

DIRECTORS' ATTENDANCE AT MEETINGS

For the year ended 31 December 2013:	Full Board Meetings	Remuneration Committee	Audit Committee
Jeff Halliwell (Chair)	4	4	1
Andrew Ethuru	4	4	-
Alvaro Gomez	4	-	-
Belinda Gooding	4	4	-
Stefan Harpe	4	-	3
John Steel (Chief Executive)	4	4	1
John Shaw	4	-	3

Belinda Gooding
Chair – Nominations and Remuneration Committee

28 March 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAFÉDIRECT PLC

We have audited the financial statements on pages 16 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 8 to 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at
http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Baker Tilly UK Audit LLP

EUAN BANKS (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

28 March 2014

Cafédirect plc
PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2013

	Notes	2013 £	2012 £
TURNOVER	1	12,750,829	13,678,955
Cost of sales	2	(9,906,034)	(10,723,093)
Gross profit		2,844,795	2,955,862
Administration expenses	3	(3,260,621)	(3,211,600)
Donation to Cafédirect Producers' Foundation	4	(180,182)	-
OPERATING LOSS		(596,008)	(255,738)
Investment income	5	1,608	4,576
Interest payable	6	(307)	(668)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(594,707)	(251,830)
Taxation	9	(9,668)	(4,307)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	17	(604,375)	(256,137)

The operating loss for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

BALANCE SHEET

Company Registration No. SC141496

31 December 2013

	Notes	2013 £	2012 £
FIXED ASSETS			
Tangible assets	10	83,069	82,613
CURRENT ASSETS			
Stocks	11	3,784,994	4,236,696
Debtors	12	2,570,521	2,627,412
Cash at bank and in hand		597,012	1,070,266
		6,952,527	7,934,374
CREDITORS: Amounts falling due within one year	13	(1,589,931)	(1,966,947)
NET CURRENT ASSETS		5,362,596	5,967,427
NET ASSETS		5,445,665	6,050,040
CAPITAL AND RESERVES			
Called up share capital	15	2,098,389	2,098,389
Share premium account	16	4,109,856	4,109,856
Profit and loss account	17	(762,580)	(158,205)
EQUITY SHAREHOLDERS’ FUNDS	18	5,445,665	6,050,040

The financial statements on pages 16 to 29 were approved by the Board of directors and authorised for issue on 28 March 2014 and signed on their behalf by:

John Shaw
Director

Cafédirect plc
CASH FLOW STATEMENT

for the year ended 31 December 2013

	Notes	2013 £	2012 £
Cash outflow from operating activities	19a	(409,530)	(250,410)
Returns on investments and servicing of finance	19b	1,301	3,908
Taxation		-	(1,496)
Capital expenditure and financial investment	19b	(65,025)	(42,266)
DECREASE IN CASH IN THE PERIOD	19c	(473,254)	(290,264)

BASIS OF ACCOUNTING
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

GOING CONCERN
The going concern basis has been adopted in the preparation of the accounts (see page 4 of the Directors' Report).

CHANGE IN ACCOUNTING ESTIMATE
Due to a change in supply chain in the year, delivery costs as at 31 December 2013 are included in the cost of stock. This is considered to better reflect the current contractual arrangements in place. Previously stock was recognised on shipping due to the contractual arrangements in place and therefore shipping costs were included in cost of sales.

The impact of this change for the year ended 31 December 2013 is that £96,000 of shipping costs are included in stock which previous to the change in accounting estimate would have been included in cost of sales in the year to 31 December 2013. The loss before tax for the year is therefore £595,000 opposed to £691,000.

TANGIBLE FIXED ASSETS
Fixed assets are stated at historical cost. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Short leasehold improvements	Over the life of the lease
Furniture, fixtures & fittings	Over three years on a straight line basis
Computer equipment (purchased before 31 Dec 2012)	Over three years on a straight line basis
Computer equipment (purchased after 31 Dec 2012)	Over five years on a straight line basis
Foodservice equipment	Over three years on a straight line basis

STOCKS AND WORK IN PROGRESS
Stocks and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

FOREIGN CURRENCIES
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

RETIREMENT BENEFITS
The company operates a defined contribution scheme where the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits 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 in the balance sheet.

DEFERRED TAXATION
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset has not been recognised in the accounts in relation to brought forward tax losses due to uncertainties surrounding the timing of future profits. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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

TURNOVER
Turnover represents the value, net of Value Added Tax, of goods sold to customers. Revenue is recognised when goods have been delivered to customers.

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activity carried out from the United Kingdom. Turnover can be analysed as follows:

	2013 £	2012 £
By geographical market:		
United Kingdom	11,743,671	12,618,851
Overseas sales	1,007,158	1,060,104
	12,750,829	13,678,955
By product group:		
Coffee	10,999,164	11,598,045
Tea	1,109,976	1,449,909
Hot chocolate	641,689	631,001
	12,750,829	13,678,955

2 COST OF SALES INCLUDING PREMIUMS PAID TO PRODUCER ORGANISATIONS

	2013 £	2012 £
Opening stock as at start of year	4,236,696	4,435,626
Purchases	9,018,630	10,070,880
Premiums	435,702	453,283
Closing stock as at end of year	(3,784,994)	(4,236,696)
	9,906,034	10,723,093

3 ADMINISTRATION EXPENSES

	2013 £	2012 £
Staff costs (see note 8)	1,587,628	1,481,283
Marketing costs	775,838	753,624
Property-related costs	133,239	119,948
Depreciation	64,553	69,436
Export development costs	54,602	67,681
Other administrative expenses	644,761	719,628
	3,260,621	3,211,600

4 CAFÉDIRECT PRODUCERS' FOUNDATION (CPF)

During 2013 the company made donations to CPF of £180,182 out of the company's gross profit in the year. In 2012 the company made cash donations of £239,744 to CPF pursuant to the commitment made at the company's Annual General Meeting in June 2010 when shareholders approved a resolution to make donations of £600,000 to CPF between 1 January 2011 and 31 December 2012. An accrual was set up in 2010 to reflect this commitment, and the cash donations made in 2011 and 2012 were charged against the £600,000 accrual made in 2010 so that none of the accrual was remaining as at 31 December 2012.

5 INVESTMENT INCOME

	2013 £	2012 £
Bank interest receivable	1,608	4,576

6 INTEREST PAYABLE

	2013 £	2012 £
On other loans	307	668

7 LOSS ON ORDINARY ACTIVITIES

	2013 £	2012 £
Loss on ordinary activities before taxation is stated after Charging / (crediting):		
Depreciation and amounts written off tangible fixed assets:		
Charge for the period – owned assets	64,553	69,436
Loss on disposal of tangible fixed assets	16	-
Foreign Exchange (gains)/losses	(52,679)	56,197
Operating lease rentals:		
Plant and machinery	2,016	2,016
Land & buildings	90,451	90,451
Auditor's remuneration – statutory audit	28,500	28,500
Auditor's remuneration - non-audit services:		
Other services relating to taxation	3,500	3,000
All other services	11,460	5,625

8 EMPLOYEES

	2013 No.	2012 No.
The average monthly number of persons (including executive directors) employed by the company during the period was:		
Sales and marketing	14	11
Operations and administration	19	19
	33	30

8 EMPLOYEES (Cont'd)

	2013	2012
	£	£
Staff costs for above persons:		
Wages and salaries	1,332,744	1,254,967
Social security costs	148,669	137,464
Other pension costs	106,215	88,852
	1,587,628	1,481,283

DIRECTORS' REMUNERATION

	2013	2012
	£	£
Emoluments	153,000	173,693
Severance payments	-	35,000
Amounts paid to defined contribution pension schemes	10,800	8,884
Total emoluments	163,800	217,577

	2013	2012
	No.	No.
The number of directors to whom relevant benefits were accruing under defined contribution pension schemes was:	1	2

	2013	2012
	£	£
Amounts paid in respect of highest paid director:		
Emoluments (including benefits in kind)	120,000	79,026
Severance payments	-	35,000
Amounts paid to defined contribution pension schemes	10,800	6,184
Total emoluments	130,800	120,210

9 TAXATION

	2013	2012
	£	£
Current tax:		
Adjustments in respect of previous periods	-	1,496
Total current tax	-	1,496
Deferred tax:		
Origination and reversal of timing differences	7,179	296
Effect of increased tax rate on opening liability	2,489	2,515
Total deferred tax	9,668	2,811
TOTAL TAXATION	9,668	4,307

Factors affecting current tax charge for the period:

	2013	2012
	£	£
The tax assessed for the period is higher than the average standard rate of corporation tax in the UK (23.25%).The differences are explained below:		
Loss on ordinary activities before tax	(594,707)	(251,830)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	(138,249)	(61,691)
Effects of:		
Fixed asset differences	880	1,607
Expenses not deductible for tax purposes	230	286
Depreciation for period in excess of capital allowances	(8,066)	(1,502)
Other timing differences	120	1,186
Unrelieved tax losses arising in the period	103,199	1,386
Unutilised charitable donations	41,886	58,728
Current tax charge for the period	-	-

At 31 December 2013, the company had estimated tax trading losses of £1,328,152 (2012: £884,221) which, subject to the agreement of the HM Revenue & Customs, are available to carry forward against future profits of the same trade. No deferred tax asset has been recognised on these losses as timings of future profits are uncertain.

10 TANGIBLE FIXED ASSETS

	Short leasehold improvements	Furniture, fixtures & fittings	Computer equipment	Foodservice Equipment	Total
	£	£	£	£	£
Cost:					
1 January 2013	144,950	85,586	397,108	-	627,644
Additions	1,175	-	46,371	17,479	65,025
Disposals	-	-	(85,963)	-	(85,963)
31 December 2013	146,125	85,586	357,516	17,479	606,706
Depreciation:					
1 January 2013	119,835	78,339	346,857	-	545,031
Charged in the period	25,353	3,020	33,950	2,230	64,553
Disposals	-	-	(85,947)	-	(85,947)
31 December 2013	145,188	81,359	294,860	2,230	523,637
Net book value:					
31 December 2013	937	4,227	62,656	15,249	83,069
31 December 2012	25,115	7,247	50,251	-	82,613

11 STOCKS

	2013	2012
	£	£
Raw materials and consumables	2,154,376	2,186,020
Work in progress	1,109,162	1,499,598
Finished goods and goods for resale	521,458	551,078
	3,784,994	4,236,696

Closing stocks at the end of 2013 include £96k of logistics charges incurred when the raw materials were purchased. These costs were previously expensed in the period in which they were incurred.

12 DEBTORS

	2013	2012
	£	£
Due within one year:		
Trade debtors	2,037,948	2,105,979
Other debtors	395,738	443,263
Prepayments and accrued income	136,835	78,170
	2,570,521	2,627,412

Included in other debtors is £18,960 in relation to deferred tax (2012: £28,628). See note 14.

13 CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	688,913	940,538
Other taxation and social security	46,399	43,897
Other creditors	204,060	141,218
Accruals and deferred income	650,559	841,294
	1,589,931	1,966,947

14 DEFERRED TAXATION

	Deferred taxation
	£
Balance at 1 January 2013 – asset included in other debtors (See note 12)	(28,628)
Transfer to profit and loss account	9,668
Balance at 31 December 2013 – asset included in other debtors (See note 12)	(18,960)

	2013	2012
	£	£
Provision for deferred tax has been made as follows:		
Accelerated capital allowances	(15,542)	(25,003)
Other timing differences	(3,418)	(3,625)
Asset at end of year	(18,960)	(28,628)

15 SHARE CAPITAL

	2013	2012
	£	£
Authorised:		
14,999,999 Ordinary shares of 25p each	3,750,000	3,750,000
Allotted and called up:		
Balance at start of year	2,098,389	2,098,389
8,393,557 Ordinary shares of 25p each	2,098,389	2,098,389

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.

15 SHARE CAPITAL (continued)

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.

Share Incentive Plan
During 2005, 35,400 Ordinary shares of 25p each were issued under the company's Share Incentive Plan to employees based on their length of service. At 31 December 2013 employees held 4,500 (2012: 4,500) shares under this Plan with the balance of 30,900 remaining unallocated.

16 SHARE PREMIUM ACCOUNT

	2013	2012
	£	£
Balance at end of year	4,109,856	4,109,856

17 PROFIT AND LOSS ACCOUNT

	2013	2012
	£	£
Balance at start of year	(158,205)	97,932
Loss for the year	(604,375)	(256,138)
Balance at end of year	(762,580)	(158,205)

18 SHAREHOLDERS' FUNDS

	2013	2012
	£	£
Balance at start of year	6,050,040	6,306,177
Loss for the year	(604,375)	(256,138)
Balance at end of year	5,445,665	6,050,040

19 CASH FLOWS

		2013	2012
		£	£
a	Reconciliation of operating profit to net cash outflow from operating activities		
	Operating loss	(596,008)	(255,738)
	Depreciation	64,553	69,436
	Loss on disposal of tangible fixed assets	16	-
	Decrease in stocks	451,702	198,930
	Decrease in debtors	47,223	111,313
	Decrease in creditors	(377,016)	(374,351)
	Net cash outflow from operating activities	(409,530)	(250,410)

		2013	2012
b	Analysis of cash flows for headings netted in the cash flow	£	£
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	1,608	4,576
	Interest paid	(307)	(668)
	NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	1,301	3,908
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Purchase of tangible fixed assets	(65,025)	(42,266)

		At 1 January 2013	Cash flow	At 31 December 2013
c	Analysis of net funds	£	£	£
	Cash in hand, at bank	1,070,266	(473,254)	597,012

20 COMMITMENTS UNDER OPERATING LEASES

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
Land and buildings		
expiring in the second to fifth year	90,451	90,451
Other		
expiring in the second to fifth year	2,016	2,016
	92,467	92,467

21 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £106,215 (2012: £88,852). Contributions totalling £11,278 (2012: £10,761) were payable to the fund at the year-end and are included in creditors.

22 COMMITMENTS

At 31 December 2013 the company was committed to purchase £1.4 million (2012: £1.2 million) of coffee beans, £0.02 million (2012: £0.1 million) of tea and £Nil (2012: £Nil) of cocoa beans.

23 FOREIGN EXCHANGE RISK MANAGEMENT

The company’s activities expose it to the financial risks of changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to manage these exposures. The company does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the company’s policies approved by the Board of directors, which provide written principles in the use of financial derivatives.

At 31 December 2013 the company had in place forward exchange contracts to buy US$3.15 million (2012: US$3.4 million) at an average exchange rate of US$1.59=£1 (2012: US$1.58=£), and €0.4 million (2012: €0.9 million) at an average exchange rate of €1.18=£1 (2012: €1.23=£). These forward exchange contracts were taken out to mitigate the company’s foreign currency risks on its forecast coffee, tea and cocoa raw material purchases and freeze-dried coffee and cocoa processing costs over the next 6 months, respectively. As a result of these arrangements, at 31 December 2013 the company had an unrealised loss of £84,000 in respect of the US dollar contracts (2012: unrealised loss of £36,000) and an unrealised loss of £6,000 in respect of the Euro contracts (2012: unrealised gain of £7,000). These figures represent the difference between the spot rate at the balance sheet date and the average hedge rates on contracts in place at the balance sheet date.

24 RELATED PARTY TRANSACTIONS

	2013	2012
	£	£
The following are included in the financial statements:		
Debtor balances with related parties:		
Trade debtors	26,152	24,707
Creditor balances with related parties:		
Trade creditors	50,000	-
Accruals		-
	50,000	-
Transactions with related parties:		
Sale of goods	295,628	317,141
Purchase of goods	-	-
Services provided to the company	76,287	25,180
Services provided by the company	47,089	36,000
Charitable donations made to Cafédirect Producers' Foundation	180,182	239,922

The related parties in 2013 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.