### Company number SC141496

**Cafédirect plc**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

DIRECTORS

Jeff Halliwell (Chair)

Andrew Ethuru (resigned 19 June 2015)

Alvaro Gómez (resigned 17 June 2015)

Belinda Gooding

Stefan Harpe (resigned 22 September 2015)

Lebi Hudson (appointed 19 June 2015)

John Shaw

John Steel

Lenin Tocto Minga (appointed 17 June 2015)

Bart Van Eyk (appointed 22 September 2015)

SECRETARY

Rachel Sudweeks

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

RSM UK Audit LLP (formerly 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 Solicitors LLP

19 Cookridge Street

Leeds, LS2 3AG

BANKERS

Triodos Bank NV Natwest Bank plc

Brunel House 15 Bishopsgate

11 The Promenade London, EC2P 2AP

Bristol, BS8 3NN

**BUSINESS REVIEW**

The company’s turnover for the year ended 31 December 2015 was £12.4m compared with £11.8m in 2014, an increase of 5% (2014: decrease of 7%). Although the UK supermarket sector continues to be under pressure, especially from discounters, such as Aldi & Lidl, Cafédirect sales grew strongly. In UK grocery Cafédirect was the fastest growing roast & ground coffee brand at +24% on Nielsen (52 weeks ending November 2015).

In addition the out of home channel grew and accelerated its growth throughout the year – the change in business model and more direct approach is gaining momentum and gives the directors confidence in this important channel. Export sales grew by 14% which is an important turnaround on 2014 and our new high quality online coffee club more than doubled.

New products and innovation such as Nespresso compatible pods and the online coffee club accounted for almost 10% of total company turnover. The flagship single origin, roast and ground coffees, Machu Picchu and Kilimanjaro performed very well, whilst tea and freeze dried coffee which are extremely price sensitive continued to be very challenging and turnover declined in the year.

Gross margin remained at 21% in 2015 in line with 2014. Coffee prices fell from 2014 peak levels and stabilised below the Fairtrade minimum price. Cafédirect’s Fairtrade commitment is helping our producer partners, however lower commercial non ethical prices are leading to increased market price competition. The medium term outlook for commodity prices remains uncertain and prone to volatility which is challenging for Cafédirect and our producer partners.

Rigorous cost control across the business meant that operating costs including property related costs and other expenses were kept at the same level as 2014. This was despite investment in Cafédirect’s first manufacturing facility (a small scale coffee roaster) in London which was up and running in Q4 2015. This is to support the online coffee club and improve company margin.

Marketing spend was increased from £0.7m to £1.1m with investment in TV advertising for the first time in the company’s history. This investment played an important part in the sales growth and improved brand strength.

An underlying operating loss of £1,065,168 was incurred in the year, £436,755 higher than in 2014. This was broadly in line with our plan and driven by the increased marketing investment and promotional activity in the UK supermarket sector.

Achieving higher sales and returning to profitability in the medium term continues to be challenging, particularly given the increased uncertainty and turbulence in the UK supermarket sector and results in the early months of 2016 have been disappointing and below plan. The strategy to grow profitable sales outside of this sector rapidly remains a key priority. Against this background, the directors have agreed revised plans going forward that seek to reflect the risks in this competitive market place, improve margins and to reduce costs to ensure a sustainable business.

The directors are pleased to report that, despite the loss position, £644,691 (2014: £540,218) of cash was invested in the growers and their communities via Fairtrade premiums and the Cafédirect Producers’ Foundation. Supporting the core costs of the Cafédirect Producers’ Foundation has enabled them to deliver programmes with growers funded by third parties.

In the last 2 months of 2015 stock increased ahead of plan, leading to an increase to £3.5m v £3.1m in 2014 – this was driven by seasonal purchasing and lower than planned sales in November & December. Trade debtors have increased by £272,000 to £2.4m as at 31 December 2015, which related to a one-off temporary issue, as explained in the Audit Committee report. These factors, along with the loss made during the year, have contributed to a decline in the company’s cash position from a positive balance of £0.9m in 2014 to a net negative balance of £0.3m at the end of 2015. Although this is within our overdraft facility of £1m, it is significantly below where we expected to be and has required a stronger focus on cash management going forward.

The company continued to maintain a balance sheet with net assets of £3.7m (2014: £4.9m).

**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 2015 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 2015 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 2015, Cafédirect paid Fairtrade premiums of £433,000 (2014: £352,000).

Cafédirect is unique because of its commitment to the Producer Partnership Programme (PPP), a programme that exceeds 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 overseen 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 2015, Cafédirect made donations of £188,218 to CPF (2014: £188,218) to support these charitable programmes. CPF has been able to leverage Cafédirect’s support for operating costs by raising additional 3rd party funds to support expanded programme activities for the benefit of farmer organizations.

Raw material purchases from grower organisations in Latin America, Africa and Asia in 2015 were as follows:

* 1,326 tonnes of coffee beans (2014: 1,057 tonnes);
* 92 tonnes of tea (2014: 175 tonnes); and
* 44 tonnes of cocoa beans (2014: 46 tonnes).

**RISKS AND UNCERTAINTIES**

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

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

* The company buys raw material commodities (coffee, tea and cocoa) from small and disadvantaged growers, often located in remote and under-developed regions of the world. The market prices of these commodities are quoted on international commodity exchanges. Any increases or volatility in prices or shortages in supply can affect the company’s performance. The company mitigates this risk by holding appropriate levels of stock in the supply chain;
* The company outsources the processing and packing of its products to third party suppliers. Any issues that these suppliers encounter could disrupt supply and affect the company’s performance. To mitigate this risk the company takes out business interruption insurance, ensures that suppliers have contingency plans in place and identifies alternative supply options;
* The company is exposed to currency movements in that it buys most of its raw materials in US dollars, pays for its processing of freeze-dried coffee in Euros and sells most of its finished products in pounds sterling. The company uses foreign exchange forward contracts to mitigate this risk as set out in note 15 to the accounts. At 31 December 2015 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 25 to the accounts;
* A significant proportion of the company’s revenues are derived from the UK supermarkets and an out-of-home distributor, and therefore inevitably come from a relatively small number of customers. The company mitigates this risk by developing sales in other sectors, such as out-of-home wholesalers and international, and taking out credit insurance where appropriate;
* Increase in aggressive pricing and discounting by competitors as they respond to the squeeze on UK household incomes can impact the company’s sales volumes and market share. To mitigate this risk the company continually reviews its overall competitiveness in the market, incurs appropriate levels of promotional spend and focuses on promoting the distinctive elements of its brand.
* Losses in recent years have significantly deteriorated the company’s cash position and the seasonal nature of commodity harvests and the working capital requirements of the business mean that there is a risk that company could exceed its overdraft facility and no longer be a going concern. The company mitigates this risk by ensuring a strong focus on cash management, negotiating short-term increases in the overdraft limit, if required, identifying alternative financing arrangements, as necessary, and ensuring that plans for the future achieve an improvement in the cash position and establish a sustainable business going forward.

By order of the Board



Belinda Gooding

Director

30 June 2016

The directors present their report and financial statements for the year ended 31 December 2015.

## **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 18.

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 (2014: 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:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2015 | 2014 |
|  |  | No. shares | No. shares |
| Belinda Gooding |  | - | - |
| Jeff Halliwell |  | 1,000 | 1,000 |
| Lebi Hudson |  | - | - |
| John Shaw |  | - | - |
| John Steel |  | - | - |
| Lenin Tocto |  | - | - |
| Bart van Eyk |  | - | - |

**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 |  |  282,780 | 3.4% |

**Analysis of ordinary shareholders at 31 December 2015**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Number of shares | Number of shareholders | % of total shareholders | Number of shares | % of total Shares |
| 1 – 500 | 2,448 | 56.6 | 981,900 | 11.7 |
| 501 – 1,000 | 1,073 | 24.8 | 1,005,520 | 12.0 |
| 1,001 – 5,000 | 715 | 16.5 | 1,711,270 | 20.4 |
| 5,001 – 10,000 | 54 | 1.2 | 410,490 | 4.9 |
| 10,001 and over | 36 | 0.9 | 4,284,377 | 51.0 |
| Total | 4,326 | 100.0 | 8,393,557 | 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 £188,218 to Cafédirect Producers’ Foundation (2014: £188,218). 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 2015 represented 55 days (2014: 29 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.

**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 incurred a loss after tax for the year of £1,070,406 and the cash position at the balance sheet date had deteriorated to a net negative balance of £320,624. A challenging trading environment in the first half of 2016, coupled with working capital requirements, have meant that the company has been operating close to the agreed overdraft limit. A much stronger focus on cash management has been put in place and a temporary increase in the overdraft limit has been agreed. Alternative financing arrangements have also been identified, which the directors plan to ensure will be finalised by October 2016. Going forward, plans have been developed to simplify business processes and substantially reduce the costs of the business, to achieve a break-even position in 2017. Having reviewed the plans and associated 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 meeting its liabilities as they fall due for the foreseeable future. Accordingly, the going concern basis has been adopted in the preparation of the accounts.

**AUDITOR**

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

By order of the Board



Belinda Gooding

Director

30 June 2016

#### **Code of Best Practice**

The Board recognises that the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014, 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 2015, 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, Andrew Ethuru and John Steel retired. Andrew will not be seeking re-election and Cafédirect Producers Limited will be nominating one new Producer director. John, being eligible, offers himself 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. John is non-executive Chair of the Quantock Brewery Limited.

### Non executive directors

**Chairman:**

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, a Non-Executive Director of Natures Menu Ltd., and Chair of Transport Focus. He was formerly a trustee of the charity Shaw Trust, Vice-Chair of Governors of the University of Bedfordshire, and a 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, a Non Executive Director on two other boards 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.

### Non executive directors (cont.)

###### 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 Ignacioin in Peru, who have been in partnership with Cafédirect since 2000. Lenin is well networked with other Latin American partners and has a long history of assisting cooperatives to become thriving businesses.

Director nominated by Oikocredit:

Bart van Eyk joined the Cafédirect Board in September 2015 after joining Oikocredit in August 2015. Bart holds an MBA from Nijmegen University and has extensive international business and leadership experience, with a background in microfinance, business innovation and structured finance in emerging markets. Bart began his career as an officer in the Netherlands Royal Air Force before joining ABN AMRO where he stayed for almost 10 years in international private banking and business development in new growth markets. Prior to joining Oikocredit, Bart was founder and CEO of Musoni, the world’s first 100% cashless microfinance institution in Kenya.

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

#### **Directors’ remuneration**

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

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 2015.

# 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](http://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

# Shareholder information (CONT.)

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 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.



 Director

 30 June 2016

#### **REPORT OF THE AUDIT COMMITTEE ON BEHALF OF THE BOARD**

Committee members during the year have been:

John Shaw (Chair)

Stefan Harpe (until September 2015)

Bart van Eyk (from September 2015)

Stefan Harpe stepped down from the Committee in September 2015 when he ceased to be a member of the Board. His contribution to the Committee has been greatly appreciated. Bart van Eyk was appointed to the Board as a non-executive Director and appointed by the Board to the Audit Committee in September 2015. Rachel Johnson 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 formally met twice during the year and again in April 2016, which included reviewing the 2015 accounts and audit findings. The Chair of the Committee also met regularly with the Head of Finance, including reviewing the updated Risk Register in September prior to consideration by the Board later that month. 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 requirements of the company, including providing input to the audit plan and the implementation of new financial reporting standards
* Monitoring the ongoing legal and banking requirements of the company
* Reviewing foreign exchange hedging arrangements and monitoring the project to change the Finance IT system

In addition, the Committee was advised by Management that an error in the Electronic Data Interchange system had meant that some customers had not received invoices when the system showed that they had. This had led to a significant increase in the trade debtors’ balance at the year end. Management had put in place monitoring procedures to prevent a reoccurrence of undue delays, which were noted by the auditors as part of their year-end review.

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 appropriate.

The Committee has been 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. Given the company’s cash position and trading prospects, this consideration has been more complex than in previous years and appropriate disclosures have been made in the Strategic Report, the Directors’ Report and the statement of Accounting Policies. This information has also been reviewed by the auditors as part of their audit process and, due to the existence of material uncertainty over the company’s ability to continue as a going concern, an emphasis of matter has been included in their Audit Report. The situation remains under constant review by Management and is the subject of ongoing and more frequent review by the board.

The audit identified some deficiencies in internal control which the management team had noted and were reviewing and rectifying, where appropriate, to an agreed time scale.

We have reported over the past three years that recovery of outstanding VAT in Spain was proving problematic. I am pleased to report that the £54,000 that was outstanding at the time of the report last year was recovered during 2015 and that VAT recoveries for activities in Europe were up to date as at the year end.

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 me as Chair of the Audit Committee and then by the Board in September 2015. I am 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 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 Directors’ 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 largely 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

30 June 2016

**Report of the Nominations and Remuneration Committee on behalf of the board**

Committee members during the year have been:

Belinda Gooding

Andrew Ethuru (to June 2015)

Jeff Halliwell

Lebi Hudson (in attendance in June 2015, appointed from September 2015)

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 five times in 2015.

**NOMINATIONS - KEY ACTIVITIES**

Due to the appointment of three new board members during the second half of 2015 it was decided that the Board Effectiveness and Chair Effectiveness Reviews would not be carried in 2015. These reviews will be undertaken in 2016 as the new board members will have had time to establish themselves in their appointments.

Objective:

Identifyand nominate for approval by the Board, candidates to fill Board vacancies.

Outcome:

The appointment of Lenin Tocto and Lebi Hudson were approved by the Board in April 2015 following their election at the CPL AGM in October 2014.

The succession plans for the Producer Directors, which were developed in conjunction with the Cafédirect Producers’ Foundation, were implemented during 2015. This included Lebi Hudson and Lenin Tocto attending the April and June 2015 board meetings as well as induction meetings with the Executive Team.

**REMUNERATION - KEY ACTIVITIES**

Objective:

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

Outcome:

The policy was reviewed during 2015. 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 (until resignation) continued to waive his fees. Bart van Eyk has also waived 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 contribution is 9% of basic salary subject to a minimum employee contribution of 1%. Cafédirect’s pension auto-enrolment staging date came into effect on 1st October. The existing scheme is fully compliant with Pensions Act 2008 and Cafédirect continues to use the Group Stakeholder Pension Plan. However there was a requirement to set up a new default fund, My Future Growth. With 79% of employee’s already existing members of the scheme there has been minimal impact.

Arthur J Gallagher continues to provide the financial advisory service and administration of the pension scheme.

Executive Directors

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

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

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 2014.

**DIRECTORS' REMUNERATION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31 December | Fees | Salary | Pension contribs | Total |
| 2015: | £ | £ | £ | £ |
| Jeff Halliwell (Chair)Andrew Ethuru | 10,0002,846 | -- | -- | 10,0002,846 |
| Alvaro Gomez | 2,333 | - | - | 2,333 |
| Belinda Gooding | 6,000 | - | - | 6,000 |
| Stefan HarpeLebi HudsonJohn Steel (Chief Executive) | -3,230- | --123,000 | --11,070 | -3,230134,070 |
| John Shaw | 6,000 | - | - | 6,000 |
| Lenin Tocto | 2,692 | - | - | 2,692 |
| Bart van Eyk | - | - | - | - |
|  |  |  |  |  |
|  | 33,101 | 123,000 | 11,070 | 167,171 |

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

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

Fees for Lenin Tocto are paid to his employer, the Chirinos coffee cooperative in Peru.

Stefan Harpe and Bart van Eyk have waived their fees.

**DIRECTORS’ ATTENDANCE AT MEETINGS**

|  |  |  |  |
| --- | --- | --- | --- |
| For the year ended 31 December | Full Board | Remuneration | Audit |
| 2015: | Meetings | Committee | Committee |
| Jeff Halliwell (Chair)Andrew Ethuru | 43 | 53 | -- |
| Alvaro Gomez | 2 | - | - |
| Belinda GoodingStefan HarpeLebi Hudson | 432 | 5-2 | -1- |
| John Steel (Chief Executive) | 4 | - | - |
| John Shaw | 4 | - | 3 |
| Lenin Tocto | 3 | - | - |
| Bart van Eyk | 2 | - | 1 |



Belinda Gooding

Chair – Nominations and Remuneration Committee

30 June 2016

We have audited the financial statements on pages 18 to 42. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

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

**Respective responsibilities of directors and auditor**

As more fully explained in the Directors’ Responsibilities Statement set out on page 10, 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/auditscopeukprivate.

**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 2015 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.

**Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 22 of the financial statements concerning the company’s ability to continue as a going concern. The Company generated an operating loss of £1,065,168 and has needed to secure a temporary increase in its overdraft facilities. These conditions along with other matters explained in the accounting policies on page 22 of the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company’s ability to continue as a going concern. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.

**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



EUAN BANKS (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

25 Farringdon Street

London EC4A 4AB

30th June 2016

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  2015 |  | 2014 |
|  | Notes |  | £ |  | £ |
| TURNOVER  | 2 |  |  12,401,892  |  | 11,848,524 |
|  |  |  |  |  |  |
| Cost of sales | 3 |  |  (9,758,713) |  | (9,320,234) |
| GROSS PROFIT |  |  |  2,643,179  |  | 2,528,290 |
| Administrative expenses | 4 |  |  (3,708,347) |  | (3,156,703) |
|  |  |  |  |  |  |
| OPERATING LOSS |  |  |  (1,065,168) |  | (628,413) |
| Interest receivable and similar income  | 5 |  |  2,634  |  | 4,220 |
| Interest payable and similar charges | 6 |  |  (7,872) |  | (3,134) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 7 |  |  (1,070,406) |  | (627,327) |
| Taxation | 9 |  | - |  | (23,400) |
|  |  |  |  |  |  |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR |  |  |  (1,070,406) |  | (650,727) |
|  |  |  |  |  |  |
| OTHER COMPREHENSIVE INCOME |  |  |  |  |  |
| Fair value gains on foreign exchange forward contracts | 15 |  |  25,859  |  | 136,112 |
| Fair value (losses)/gains reclassified to profit and loss | 15 |  |  (176,611) |  | 114,264 |
| Other comprehensive income  |  |  |  (150,752) |  | 250,376 |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR |  |  |  (1,221,158) |  | (400,351) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes |  | 2015£ |  | 2014£ |
| FIXED ASSETS |  |  |  |  |  |
| Goodwill | 10 |  |  - |  | 37,578 |
|  |  |  |  |  |  |
| Other intangible assets | 10a |  |  137,166  |  | 6,794 |
| Total intangible assets |  |  |  137,166  |  | 44,372 |
|  |  |  |  |  |  |
| Tangible assets | 11 |  |  247,950  |  | 212,692 |
|  |  |  |  385,116  |  | 257,064 |
| CURRENT ASSET |  |  |  |  |  |
| Stocks | 12 |  |  3,501,267  |  | 3,107,195 |
| Debtors due within one year | 13 |  |  2,766,038  |  | 2,727,733 |
| Cash at bank and in hand |  |  |  120,147  |  | 920,332 |
|  |  |  |  6,387,452  |  | 6,755,260 |
| CURRENT LIABILITIESCreditors: amounts falling due within one year  | 14 |  | (3,052,411) |  | (2,060,687) |
| NET CURRENT ASSETS |  |  |  3,335,041  |  | 4,694,573 |
|  |  |  |  |  |  |
| TOTAL ASSETS LESS CURRENT LIABILITIES |  |  |  3,720,157  |  | 4,951,637 |
|  |  |  |  |  |  |
| Provisions for liabilities  | 16 |  | - |  | (10,322) |
| NET ASSETS |  |  |  3,720,157 |  | 4,941,315 |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Notes |  | 2015£ |  | 2014£ |
| CAPITAL AND RESERVES |  |  |  |  |  |
| Called up share capital | 17 |  | 2,098,389 |  | 2,098,389 |
| Share premium account |  |  | 4,109,856 |  | 4,109,856 |
| Hedging reserve |  |  |  13,387  |  | 164,139 |
| Profit and loss account |  |  | (2,501,475) |  | (1,431,069) |
| TOTAL EQUITY |  |  |  3,720,157  |  | 4,941,315 |

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| The financial statements on pages 18 to 42 were approved by the board of directors and authorised for issue on 30 June 2016 and are signed on its behalf by: |
| John ShawDirector |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Notes | Share capital |  | Share premium |  | Hedging reserve |  | Profit and loss account  |  | Total |
|  |  | £ |  | £ |  | £ |  | £ |  | £ |
| **Balance at 1 January 2014** |  | 2,098,389 |  | 4,109,856 |  | (86,236) |  | (780,342) |  | 5,341,667 |
| Loss for the year |  | - |  | - |  | - |  | (650,727) |  | (650,727) |
| Other comprehensive income, net of tax:- |  | - |  | - |  | - |  | - |  | - |
|  Fair value gains on effective hedge | 15 | - |  | - |  | 136,112 |  | - |  | 136,112 |
|  Fair value gains reclassified to profit and loss | 15 | - |  | - |  | 114,263 |  | - |  | 114,263 |
| **Total comprehensive income for the year** |  | - |  | - |  | 250,375 |  | (650,727) |  | (400,352) |
| **Balance at 31 December 2014** |  | 2,098,389 |  | 4,109,856 |  | 164,139 |  | (1,431,069) |  | 4,941,315 |
| Loss for the year |  | - |  | - |  | - |  |  (1,070,406) |  |  (1,070,406) |
| Other comprehensive income, net of tax:- |  | - |  | - |  | - |  | - |  | - |
|  Fair value gains on effective hedge |  | - |  | - |  |  25,859  |  | - |  |  25,859  |
|  Fair value losses reclassified to profit and loss |  | - |  | - |  |  (176,611) |  | - |  |  (176,611) |
| **Total comprehensive income for the year** |  |  |  |  |  |  (150,752) |  |  (1,070,406) |  |  (1,221,158) |
| **Balance at 31 December 2015** |  | 2,098,389 |  | 4,109,856 |  |  13,387  |  | (2,501,475) |  | 3,720,157 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Notes | 2015£ |  | 2014£ |
| OPERATING ACTIVITIES |  |  |  |  |
| Cash generated from operations | 18 |  (884,199) |  | 576,195 |
| Interest paid |  |  (7,872) |  | (3,134) |
| Income taxes paid |  | - |  | - |
| NET CASH (USED IN)/FROM OPERATING ACTIVITIES |  |  (892,071) |  | 573,061 |
|  |  |  |  |  |
| INVESTING ACTIVITIES |  |  |  |  |
| Purchase of intangible assets |  |  (202,317) |  | (46,534) |
| Purchase of tangible fixed assets  |  |  (149,202) |  | (207,427) |
| Interest received |  |  2,634  |  | 4,220 |
| NET CASH (USED IN) INVESTING ACTIVITIES |  |  (348,885) |  | (249,741) |
|  |  |  |  |  |
| FINANCING ACTIVITIES |  |  |  |  |
| NET CASH FROM/(USED IN) FINANCING ACTIVITIES |  | - |  | - |
|  |  |  |  |  |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS |  (1,240,956) |  | 323,320 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR |  | 920,332 |  | 597,012 |
| Effect of foreign exchange rate changes |  | - |  | - |
| NET (DEBT)/CASH AND CASH EQUIVALENTS AT END OF YEAR | 18 |  (320,624) |  | 920,332 |

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| GENERAL INFORMATION |
| Cafédirect plc (“the Company”) is a public limited company domiciled and incorporated in England. |
| 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 Unit F, Fourth Floor, Zetland House, 5-25 Scrutton Street, London, EC2A 4HJ. |
|  |
| The Company’s principal activities are provided in the directors’ report. |
| BASIS OF ACCOUNTING |
| First time adoption of FRS 102 |
| These financial statements are the first financial statements of Cafédirect plc prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102). The financial statements of Cafédirect plc for the year ended 31 December 2014 were prepared in accordance with previous UK GAAP. |
| Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’. |
| Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’. Adjustments are recognised directly in retained earnings at the transition date. |

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| 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 the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. |
| Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated. |

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| GOING CONCERN |
| As detailed in the strategic report, the company incurred a loss after tax for the year of £1,070,406 and the cash position at the balance sheet date had deteriorated to a net negative balance of £320,624. A challenging trading environment in the first half of 2016, coupled with working capital requirements, have meant that the company has been operating close to the agreed overdraft limit. A much stronger focus on cash management has been put in place and a temporary increase in the overdraft limit has been agreed. Alternative financing arrangements have also been identified, which the directors plan to ensure will be finalised by October 2016. Going forward, plans have been developed to simplify business processes and substantially reduce the costs of the business, to achieve a break-even position in 2017. Having reviewed the plans and associated 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 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. |
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| FUNCTIONAL AND PRESENTATIONAL CURRENCIES |
| The financial statements are presented in sterling which is also the functional currency of the Company. |

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| BUSINESS COMBINATIONS |
| The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. |
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| The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. |
| *Contingent consideration*The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date. |
| *Provisional fair values*Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. |

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| FOREIGN CURRENCIES |
| 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. |

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| TURNOVER |
| Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business.  The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax. |
|  |
| Turnover is recognised when goods have been delivered to the customer. |
| When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income. |
| OTHER INCOME |
| *Interest income* |
| Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate. |
| INTANGIBLE FIXED ASSETS – GOODWILL |
| Goodwill is capitalised and written off evenly over 5 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits. |

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| INTANGIBLE FIXED ASSETS (OTHER THAN GOODWILL) |
| 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 or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:- |
| Short leasehold improvement | Over the life of the lease |
| Fixtures, fittings and equipment | Over three years on a straight line basis |
| Computer equipment (purchased 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 |
|  |
| 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. |
| Land and buildings are accounted for separately even when acquired together. |
| Major spare parts that are expected to be used in more than one period, or that can only be used for one asset, are capitalised as tangible fixed assets. All other spare parts are classified as stocks. |
| 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 or, for revalued assets, 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 income or expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the Company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future. |
| 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. |
| For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property. |
| 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. |

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| 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. |

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| 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. |

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| 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. |

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| FINANCIAL INSTRUMENTS (continued) |
| ***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. |

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

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| *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. |

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| *Derivatives* |
| Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss unless hedge accounting is applied and the hedge is a cash flow hedge. |
| To qualify for hedge accounting, the Company documents the hedged item, the hedging instrument and the hedging relationship between them, and the causes of hedge ineffectiveness (such as different maturities, nominal amounts or variable rates, and counterparty credit risk). |
| The Company elects to adopt hedge accounting for forward exchange contracts where:* the forward exchange contract is a qualifying hedging instrument;
* the hedging relationship between the forward exchange contract and the exchange rate risk on the hedged item is consistent with the risk management objectives for undertaking hedges; and
* the change in the fair value of the forward exchange contract is expected to move inversely to the change in the expected cash flows of the hedged item.
 |
| *Cash flow hedge - hedge of exchange rate risk* |
| Where a forward exchange contract qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the forward exchange contract is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the exchange rate risk. Any excess fair value gains or losses on the forward exchange contract not recognised in other comprehensive income are recognised in profit or loss. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve). |
| Net cash settlements on the forward exchange contracts are recognised in profit or loss in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to profit or loss when the variable rate interest is recognised in profit or loss.  |

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| FINANCIAL INSTRUMENTS (continued) |
| Commitments to receive a loan are measured at cost less impairment. |
| *Derecognition of financial assets and liabilities* |
|  |
| A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.  |

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| PROVISIONS |
| Provisions are recognised when the Company has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. |
| Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges. |
| *Restructuring* |
| Provisions for restructuring costs are recognised when the Company has a legal obligation or a constructive obligation arising from a detailed formal plan for the restructuring which has been notified to affected parties. |
| DIVIDENDS |
| Dividends are recognised as liabilities once they are no longer at the discretion of the Company. |

|  |  |
| --- | --- |
| 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. |
|  | *Critical accounting estimates and assumptions* |
|  | 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.*Depreciation*Estimations have been made for the expected useful lives of intangible and tangible fixed assets. The detail is disclosed in the accounting policies on page 24. |
|  | *Critical areas of judgement* |
|  | A review of the carrying value of assets related to ecommerce development has been made. Revised assumptions for forecast growth and costs have resulted in the recognition of an impairment loss, which is shown in Note 10. |

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| --- | --- |
| 2. | TURNOVER |
|  | An analysis of the Company’s turnover by class of business is as follows: |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Class of Business | 2015£ |  | 2014£ |
|  | *Continuing operations:* |  |  |  |
|  | Coffee  |  11,176,719  |  | 9,992,062 |
|  | Tea |  715,975  |  | 1,277,709 |
|  | Hot chocolate |  395,802  |  | 528,659 |
|  | Ancillaries |  113,396  |  | 50,094 |
|  |  |  |  |  |
|  |  | 12,401,892 |  | 11,848,524 |

|  |  |
| --- | --- |
|  | An analysis of the geographical location of the Company’s turnover is as follows: |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Geographical segments: | 2015£ |  | 2014£ |
|  | *Continuing operations:* |  |  |  |
|  | UK |  11,428,935  |  | 11,017,838 |
|  | Overseas sales |  972,957  |  | 830,686 |
|  |  |  12,401,892  |  | 11,848,524 |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 3. | COST OF SALES INCLUDING PREMIUMS PAID TO PRODUCERS ORGANISATIONS |  |  |  |
|  |  | 2015£ |  | 2014£ |
|  |  |  |  |  |
|  | Opening stock at start of year |  3,107,195  |  | 3,784,994 |
|  | Purchases |  9,719,362  |  | 8,290,844 |
|  | Premiums |  433,423  |  | 351,591 |
|  | Closing stock as at end of year | (3,501,267) |  | (3,107,195) |
|  |  |  9,758,713  |  | 9,320,234 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 4. | ADMINISTRATION EXPENSES | 2015£ |  | 2014£ |
|  |  |  |  |  |
|  | Staff costs | 1,414,209 |  | 1,253,817 |
|  | Marketing costs | 1,029,438 |  | 668,466 |
|  | Property-related costs | 152,554 |  | 129,454 |
|  | Depreciation | 113,944 |  | 67,124 |
|  | Amortisation | 21,684 |  | 12,842 |
|  | Impairment loss  | 87,839 |  | - |
|  | Export development costs | 72,297 |  | 43,043 |
|  | Other administrative expenses | 500,704 |  | 659,743 |
|  | Restructuring costs | 127,278 |  | 133,996 |
|  | Donations | 188,400 |  | 188,218 |
|  |  |  |  |  |
|  |  | 3,708,347 |  | 3,156,703 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 5. | INTEREST RECEIVABLE AND SIMILAR INCOME |  |  |  |
|  |  |  |  |  |
|  |  | 2015£ |  | 2014£ |
|  | Interest on bank deposits |  2,634  |  | 4,220 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 6. | INTEREST PAYABLE AND SIMILAR CHARGES |  |  |  |
|  |  | 2015£ |  | 2014£ |
|  | Interest arising on: |  |  |  |
|  |  |  |  |  |
|  Other loans |  7,872 |  | 3,134 |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 7. | LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION |  |  |  |
|  |  | 2015£ |  | 2014£ |
|  | Profit on ordinary activities before taxation is stated after charging/(crediting): |  |  |  |
|  | Depreciation of tangible fixed assets (note 11) |  113,944  |  | 67,124 |
|  | Amortisation of intangible fixed assets (note 10a) |  13,333  |  | 7,879 |
|  | Amortisation of goodwill (note 10) |  8,351  |  | 4,963 |
|  | Impairment loss (see note 10) | 87,839 |  | - |
|  | Exchange losses |  (137,032) |  | 79,512 |
|  | Operating lease rentals (note 20) | 107,494 |  | 92,467 |
|  | Stock:* amounts expensed to cost of sales
 |  7,259,694  |  | 8,975,382 |
|  | * impairment losses recognised in costs of sales
 |  19,170 |  | 6,739 |
|  |  |  |  |  |

|  |  |
| --- | --- |
|  | Fees payable to RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) and its associates in respect of both audit and non-audit services are as follows;  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2015 |  | 2014 |
| £ |  | £ |
|  | Audit services - statutory audit of the company | 29,500 |  | 28,500 |
|  | *Other services:-* |  |  |  |
|   |  Taxation compliance services | 3,500 |  | 3,500 |
|  |  All other non-audit services | 11,180 |  | 20,500 |
|  |  | 44,180 |  | 52,500 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 8. | EMPLOYEES |  |  |  |
|  |  | 2015No. |  | 2014No. |
|  | The average monthly number of persons (including directors) employed by the Company during the year was: |  |  |  |
|  | Sales and marketing | 15 |  | 12 |
|  | Operations and administration | 18 |  | 15 |
|  |  |  |  |  |
|  |  | 33 |  | 27 |
|  |  |  |  |  |
|  |  | 2015£ |  | 2014£ |
|  | Staff costs for the above persons: |  |  |  |
|  | Wages and salaries |  1,218,204  |  | 1,060,893 |
| Social security costs |  107,237  |  | 115,754 |
| Other pension costs and current service cost (note 21) |  88,768  |  | 77,170 |
|  |  |  1,414,209  |  | 1,253,817 |
|  |  |  |
|  | DIRECTORS  |  |  |  |

|  |  |
| --- | --- |
|  | In respect of the directors of Cafédirect plc: |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2015£ |  | 2014£ |
|  | Emoluments | 156,101 |  | 153,000 |
|  | Amounts paid to defined benefit pension schemes | 11,070  |  | 10,800 |
|  |  | 167,171 |  | 163,800 |
|  |  |  |  |  |
|  | The number of directors to whom retirement benefits are accruing under defined benefit schemes was: | 1 |  | 1 |
|  |  |
|  | Directors emoluments disclosed above include the following payments in respect of the highest paid director: |
|  |  | 2015£ |  | 2014£ |
|  | Remuneration | 123,000 |  | 120,000 |
|  | Amounts paid to defined benefit pension schemes | 11,070 |  | 10,800 |
|  |  | 134,070 |  | 130,800 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 9. | TAXATION |  |  |  |
|  | **Current tax** | 2015£ |  | 2014£ |
|  | UK corporation tax at 20.25% (2014: 21.49%) | - |  | - |
|  |  |  |  |
|  |  |  |  |
| Total current tax | - |  | - |
|  |  |  |  |  |
|  |  |  |  |  |
|  | **Deferred tax** |  |  |  |
|  | Origination and reversal of timing differences | - |  | 22,498 |
|  | Effect of decreased tax rate on opening liability | - |  | 902 |
|  | **Total deferred tax** | - |  | 23,400 |
|  |  |  |  |  |
|  | **Total tax on profit on ordinary activities** | - |  | 23,400 |

|  |  |
| --- | --- |
|  | Factors affecting the tax charge for the year. |
|  | The tax assessed for the year is lower than the standard rate of corporation tax in the UK (20%). The differences are explained below: |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2015£ |  | 2014£ |
|  | Company (loss) on ordinary activities before tax | (1,070,406) |  | (627,327) |
|  |  |  |  |  |
|  | Company profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). | (216,757) |  | (134,832) |
|  | Effects of: |  |  |  |
|  | Expenses that are not deductible in determining taxable profit | 223 |  | 1,016 |
|  | Unutilised charitable donations | 38,151 |  | 41,529 |
|  | Amounts relating to change in tax rates | (51,590) |  | (9,957) |
|  | Tax losses not recognised as a deferred tax asset | 229,973 |  | 125,644 |
|  | Adjustment to tax charge in respect of previous year |  |  |  |
|  | Tax expense  |  - |  | 23,400 |

|  |  |
| --- | --- |
|  | At 31 December 2015, the company had estimated tax trading losses of £3,038,167 (2014: £1,902,503) 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. | INTANGIBLE FIXED ASSETS – GOODWILL |  |  |

|  |  |  |
| --- | --- | --- |
|  |  | £ |
|  | Cost: |  |
|  | 1 January 2015 | 42,541 |
|  | Addition on acquisition of trade and assets |  |
|  | Other changes |  (788) |
|  | 31 December 2015 | 41,753 |
|  |  |  |
|  | Amortisation and impairment: |  |
|  | 1 January 2015 | 4,963 |
|  | Amortisation and other amounts recognised in profit or loss | 8,351 |
|  | Impairment loss | 28,439 |
|  | 31 December 2015 | 41,753 |
|  |  |  |
|  | Carrying amount: |  |
|  | 31 December 2015 | - |
|  | 31 December 2014 | 37,578 |

|  |  |
| --- | --- |
|  | The amortisation of goodwill is included within administrative expenses. |
| 10a. | OTHER INTANGIBLE ASSETS  |  |  |  |  |
|  |  | PurchasedComputer Software£ |
|  | Cost: |  |
|  | 1 January 2015 | 224,207 |
|  | Additions* internally developed
* separately acquired
 | 203,105 |
|  | Business combinations |  |
|  | Disposals |  |
|  | 31 December 2015 | 427,312 |
|  |  |  |
|  | Amortisation and impairment: |  |
|  | 1 January 2015 | 217,413 |
|  | Amortisation charged in the year | 13,333 |
|  | Impairment loss | 59,400 |
|  | 31 December 2015 | 290,146 |
|  |  |  |
|  | Carrying amount: |  |
|  | 31 December 2015 | 137,166 |
|  | 31 December 2014 | 6,794 |
|  |  |  |
|  | The amortisation charge for the year and the impairment losses are recognisedwithin administrative expenses. |
|  | There are no contractual commitments to acquire intangible assets (2014: £nil).The impairment loss of £87,839, relates to ecommerce development that is taking longer than planned to achieve the growth expected. |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 11. | TANGIBLE FIXED ASSETS |  |  |  |  |
|  |  | Short leasehold improvements£ |  | Computer equipment£ |  | Fixtures, Fittings & Equipment £ |  | Total£ |
|  | Cost or valuation: |  |  |  |  |  |  |  |
|  | 1 January 2015 | 148,672 |  | 136,245 |  | 295,199 |  | 580,116 |
|  | Additions | - |  |  5,580  |  |  143,622  |  |  149,202  |
|  | 31 December 2015 |  148,672  |  |  141,825  |  |  438,821  |  |  729,318  |
|  |  |  |  |  |  |  |  |  |
|  | Depreciation and impairment: |  |  |  |  |  |  |  |
|  | 1 January 2015 | 145,656 |  | 97,232 |  | 124,536 |  | 367,424 |
|  | Depreciation charged in the year |  1,573  |  |  13,789  |  |  98,582  |  |  113,944  |
|  | 31 December 2015 |  147,229  |  |  111,021  |  |  223,118  |  |  481,368  |
|  |  |  |  |  |  |  |  |  |
|  | Carrying amount: |  |  |  |  |  |  |  |
|  | 31 December 2015 |  1,443  |  |  30,804  |  |  215,703  |  |  247,950  |
|  | 31 December 2014 | 3,016 |  | 39,013 |  | 170,663 |  | 212,692 |
|  |  |  |  |  |  |  |  |  |

|  |  |
| --- | --- |
| 12. | STOCKS |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | 2015£ |  | 2014£ |
|  |  |  |  |  |  |  |
|  | Raw materials and consumables |  |  | 2,109,029 |  | 1,504,459 |
| Work in progress |  |  | 438,699 |  | 838,233 |
| Finished goods and goods for resale |  |  | 953,539 |  | 764,503 |
|  |  | 3,501,267 |  | 3,107,195 |
|  |  |  |  |  |

|  |  |
| --- | --- |
| 13. | DEBTORS |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | 2015£ |  | 2014£ |
|  | Amounts falling due within one year: |  |  |  |  |  |
|  | Trade debtors |  |  | 2,437,924 |  | 2,165,540 |
|  | Foreign currency forward contracts (note 15) |  |  | 13,387 |  | 164,139 |
|  | Other debtors  |  |  | 246,630 |  | 307,481 |
|  | Prepayments and accrued income |  |  | 68,097 |  | 90,573 |
|  |  |  |  | 2,766,038 |  | 2,727,733 |
|  |  |  |  |  |
|  |  |

|  |  |
| --- | --- |
| 14. | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2015£ |  | 2014£ |
|  |  |  |  |  |
|  | Bank overdrafts | 440,771 |  | - |
|  | Trade creditors | 1,638,466 |  | 806,894 |
|  | Other taxation and social security costs | 39,034 |  | 40,376 |
|  | Other creditors | 89,264 |  | 532,969 |
|  | Accruals and deferred income | 844,876 |  | 680,448 |
|  |  | 3,052,411 |  | 2,060,687 |

|  |  |
| --- | --- |
| 15. | FINANCIAL INSTRUMENTS |
|  | The carrying amount of the Company’s financial instruments at 31 December were: |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2015£ |  | 2014£ |
|  | Financial assets: |  |  |  |
|  | Debt instruments measured at amortised cost |  2,514,526  |  | 2,291,194 |
|  | Instruments measured at fair value through profit or loss | 13,387 |  | 164,139 |
|  | Total | 2,527,913 |  | 2,455,333 |
|  |  |  |  |  |
|  | Financial liabilities: |  |  |  |
|  | Measured at amortised cost |  2,454,094  |  | 1,862,485 |
|  | Total |  2,454,094  |  | 1,862,485 |

|  |  |
| --- | --- |
|  | **Foreign Exchange Forward Contracts** |
|  | 0.2% of turnover relates to transactions conducted in Euros and 3.3% relates to transactions conducted in US Dollars. As a consequence 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 cashflows 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 gains of £ 25,859 (2014: £136,112) on foreign exchange forward contracts are deferred in other comprehensive income and will be released to profit or loss at the maturity of contract. £176,611 (2014: £114,264) was released in the year ended 31 December 2015. |
|  | At the year end, the total carrying amount of outstanding foreign exchange forward contracts that the Company has committed to are as follows: |
|  |  |  | 2015£ |  | 2014£ |
|  | Euros |  | - |  | - |
|  | US Dollars |  | 13,387 |  | 164,139 |
|  |  |  | 13,387 |  | 164,139 |

|  |  |
| --- | --- |
| 16. | PROVISIONS FOR LIABILITIES  |
|  |  |  | Deferred consideration£ |  | DeferredTaxation£ |  | Total£ |
|  | 1 January 2015 |  | 10,322 |  | - |  | 10,322 |
|  | Utilised in the year |  | (10,322) |  | - |  | (10,322) |
|  | 31 December 2015  |  | - |  | - |  | - |

|  |  |
| --- | --- |
|  | In 2014, deferred consideration arose on the purchase of Kopi Limited. This was all paid during 2015. |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Provision for deferred tax has been made as follows: |  | 2015£ |  | 2014£ |
|  | Deferred tax liabilities |  | 55,653 |  | 10,560 |
|  | Deferred tax assets |  | (55,653) |  | (10,560) |
|  | Net position at 31 December | - |  | - |
|  |  |  |  |  |
|  | The major deferred tax liabilities and assets recognised by the Company are: |
|  | Deferred tax liabilities: |  |  | 2015£ |  | 2014£ |
|  | Accelerated capital allowances |  | 55,653 |  | 10,560 |
|  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Deferred tax assets: |  |  | 2015£ |  | 2014£ |
|  | Other timing differences |  | 1,973 |  | 4,046 |
|  | Losses and other deductions |  | 53,680 |  | 6,514 |
|  |  |  |  |  |  |
|  |  |  | 55,653 |  | 10,560 |

|  |  |
| --- | --- |
| 17. | SHARE CAPITAL & RESERVES |
|  | SHARE CAPITAL |   |
|  |  | 8,393,558 ordinary shares and 1 guardian share |
|  |  |  |  of 25p each |
|  |  |  |  |
|  | Allotted, issued and fully paid: |  |
| As at 1 January 2015 and 31 December 2015 |  | 2,098,389 |
|  |  |  |
| *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 15)*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. |

|  |  |
| --- | --- |
| 18. | RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED (USED IN)/FROM OPERATIONS  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  |   | 2015£ |  | 2014£ |
|  | Loss after tax  |  (1,070,406) |  | (650,727) |
|  | Adjustments for: |  |  |  |
|  | Depreciation of tangible fixed assets |  113,944  |  | 67,124 |
|  | Amortisation of intangible assets |  21,684  |  | 12,842 |
|  | Impairment loss | 87,839 |  | - |
|  | Interest receivable  |  (2,634) |  | (4,220) |
|  | Interest payable |  7,872  |  | 3,134 |
|  | Taxation | - |  | 23,400 |
|  | Operating cash flows before movements in working capital |  (841,701) |  | (548,447) |
|  |  |  |  |  |
|  | (Increase)/decrease in stock |  (394,072) |  | 677,799 |
|  | Increase in trade and other debtors |  (189,057) |  | (12,033) |
|  | Increase/(decrease) in trade and other creditors | 540,631  |  | 458,876 |
| Cash generated (used in)/from operations |  (884,199) |  | 576,195 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Analysis of net debt: | 1 January 2015 |  | Cash flow |  | 31 December 2015 |
|  |  | £ |  | £ |  | £ |
|  | Cash at bank and in hand |  920,332  |  |  (800,185) |  |  120,147  |
|  | Bank overdrafts |  -  |  |  (440,771) |  |  (440,771) |
|  | Net debt |  920,332  |  |  (1,240,956) |   |  (320,624) |

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| 19. | ACQUISITIONS |
|  | *Business combinations* |
|  | On 1 May 2014, Cafédirect plc acquired trade and assets of Kopi Limited for £50,000 initial consideration and deferred consideration estimated at £27,541 by management based on expected revenues. |
|  | The goodwill arising on acquisition of £42,541 is considered to have a useful life of 5 years.  |
|  | At 1 May 2014 (the ‘acquisition date’), the assets acquired and liabilities assumed were recognised at their fair values to the Company, as set out below: |
|  |  | Initial book value£ |  | Fair value adjustment £ |  | Fair value at date of acquisition£ |
|  | Intangible fixed assets |  |  |  |  |  |
|  | Tangible fixed assets | 35,000 |  | - |  | 35,000 |
|  |  |  |  |  |  |  |
|  | Goodwill |  |  |  |  | 42,541 |
|  | Total consideration  |  |  | 77,541 |
|  |  |  |  |  |  |  |
|  | Satisfied by: |  |  |  |  |  |
|  | * Cash
 |  |  |  |  | 50,000 |
|  | * Deferred cash consideration
 |  |  | 27,541 |
|  |  |  |  |  |
|  |  |  |  |  |  | 77,541 |
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| 20. | COMMITMENTS UNDER OPERATING LEASES |
|  | The total future minimum lease payments under non-cancellable operating leases for plant and machinery are as follows: |
|  | Amounts due: | 2015£ |  | 2014£ |
|  | Within one year | 50,307 |  | 91,963 |
|  | Between one and five years | 74,727 |  | 77,069 |
|  | After five years | - |  | - |
|  |  | 125,034 |  | 169,032 |

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| 21. | 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 £88,768 (2014: £77,170). Contributions totalling £10,959 (2014: £8,547) were payable to the fund at the year end and are included in creditors. |

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| 22. | OTHER FINANCIAL COMMITMENTS |
|  | At 31 December 2015 the company was committed to purchase £63,083 (2014: £1.3m) of coffee beans and £nil (2014: £nil) of tea. |
|  |  |
| 23. | RELATED PARTY TRANSACTIONS |
|  | Transactions between the Company and its related parties are disclosed below: |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | 2015 |  | 2014 |
|  |  | £ |  | £ |
|  | Sales of goods in year  | 297,874 |  | 302,470 |
|  | Services provided to the company | - |  | 75,000 |
|  | Services provided by the company | 44,400 |  | 44,400 |
|  | Charitable donations | 188,218 |  | 188,218 |
|  | Amounts owed by related parties at year end | 19,382 |  | 29,281 |
|  | Amounts owed to related parties at year end | - |  | - |
|  | The related parties in 2015 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 (2014: £nil) in respect of bad debts from related parties. |
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| 24. | 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 £572,540 (2014: £515,858). |

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|  25. | FIRST TIME ADOPTION OF FRS 102 |
|  | Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given below. |
|  | Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing. |
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| --- | --- | --- | --- | --- |
| RECONCILIATIONS OF EQUITY | Notes | 1 January 2014£ |  | 31 December 2014£ |
| Equity as previously reported under Previous UK GAAP |  | 5,445,665 |  | 4,788,856 |
| Fair value (losses)/gains on foreign exchange forward contracts | A | (86,236) |  | 164,139 |
| Holiday pay accrual | B | (17,763) |  | (11,680) |
|  |  |  |  |  |
| Equity reported under FRS 102 |  | 5,341,666 |  | 4,941,315 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| RECONCILIATION OF PROFIT OR LOSS | Notes |  |  | Year ended31 December 2014£ |
| Loss as previously reported under Previous UK GAAP |  |  |  | (656,809) |
| Holiday pay accrual | B |  |  | 6,082 |
|  |  |  |  |  |
| Loss reported under FRS 102 |  |  | (650,727) |

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|  | A – Foreign exchange forward contractsUnder previous UK GAAP fair value gains/losses foreign exchange forward contracts were disclosed, but not recognised, in the financial statements. Under FRS 102, these instruments are recognised as assets or liabilities, with a total liability of £86,236 being recognised at 1 January 2014 and a corresponding adjustment to reserves. The Company has elected to apply hedge accounting under FRS 102 to its foreign exchange forward contracts. Consequently, fair value gains of £136,112 on foreign exchange forward contracts are deferred in other comprehensive income and released to profit or loss at the maturity of contract, with £114,264 being released in the year ended 31 December 2014. |

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|  | B – Holiday pay accrualUnder FRS 102 it is required that company’s recognise holiday pay accruals in respect any holiday employees are entitled to from the year which hasn’t been taken in the year. Adjustments for holiday pay accruals have been recognised for £22,202 and £11,680 at 1 January 2014 and 31 December 2014 respectively. Associated deferred tax assets of £4,440 and £nil has been recognised at 1 January 2014 and 31 December 2014 respectively. |
|  | C – Intangible assetsUnder FRS 102, the company has recognised £220,214 and £224,207 in respect of software and website development costs at 1 January 2014 and 31 December 2014 respectively. The respective accumulated amortisation balances recognised are £209,534 and £217,413.Under old UK GAAP these were recognised as part of tangible fixed assets. These will continue to be amortised at the same rate as was when they were recognised as tangible fixed assets. |