Cafédirect Group of Companies

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

John Philips (Chair)
Hendrik Baron de Kock
Lebi Hudson
John Steel
Monica Middleton
Robert Humphreys
Raul Torres

SECRETARY

James Nixon

REGISTERED OFFICE

4th Floor, 115 George Street
Edinburgh EH2 4JN

BUSINESS ADDRESS

Unit 4, Bayford Street Industrial Unit
Bayford Street
London
E8 3SE

AUDITOR

Crowe UK LLP
55 Ludgate Hill
London EC4M 7JW

REGISTRAR

Link Asset Services
Central Square, 10th Floor
29 Wellington Street
Leeds
LS1 4AP

SOLICITOR

Wrigley's Solicitors LLP
150 Arundel Gate
Sheffield S1 2FN

BANKERS

Triodos Bank NV
Deanery Road
Bristol
BS1 5AS

NatWest Bank plc
15 Bishopsgate
London EC2P 2AP

BUSINESS REVIEW

The company's turnover for the year ended 31 December 2022 was £17.5m, which was a 1% decrease compared with 2021. Cafédirect continued to adapt well in the face of significant change and uncertainty driven by the global pandemic and worsened following Russia's invasion of Ukraine. Higher inflation created an environment of rapidly increasing costs and changing consumer behaviour.

Despite this challenging situation, Cafédirect continued to perform well, with UK Grocery sales growth of 9%, significantly outperforming the market (IRI Market Data 12 months to Dec 31st, 2022, Coffee single grind and beans). Overall Cafédirect branded sales in UK Grocery reached £19m for the first time ever (IRI Market Data 12 months to Dec 31st, 2022, total coffee).

The outstanding appeal of the brand continued to increase, attracting more new consumers, through a wider offering including Machu Picchu range and the highly successful Mayan Gold product.

Cafédirect experienced further declines in the UK Foodservice market and internationally, exiting the year down in value 16% and 42% respectively.

In 2022 Cafédirect built on the achievement of becoming the UK's first B Corp certified coffee company in 2018 by recertifying with a score of 126.2 – the highest score of any UK Coffee Company, defined as "outstanding" by B Corp. Importantly 8 UK Coffee Companies have followed Cafedirect's example and joined the B Corp movement.

2022 included many exceptional challenges, with multiple cost increases across all aspects of the business. These were further exacerbated by regulation changes arising from Brexit which restricted the movement of organic goods between the UK and the EU. The business responded rapidly and resiliently to all challenges and with the support of key partners navigated all issues to deliver a small profit of £44k (2021: Loss of £76k).

Although the UK Grocery business continued to grow, overall, 2022 revenue declined by 1%. Marketing investment focused on initiatives for launch in 2023 and communication plans in the year were deferred to fit with these significant initiatives and to offset the significant cost increases.

There has been investment in capability for further success and to create further profitable growth in 2023 and beyond, including key appointments such as the Head of Purpose and Commercial Analyst roles.

The business continued to reorganise itself to operate a simpler, more profitable, and larger scale business with real clarity on a limited number of priorities.

Cafédirect continues to support the lives and wellbeing of producer growers, through Fairtrade premiums, Organic premiums and via donations to its farmer led charitable organisation - Producers Direct; significant sums that deliver real impact.

During 2022 £1.46m (2021: £1.3m) was invested in growers and their communities via Fairtrade premiums, Organic premiums and Producers Direct. This investment in genuine grass roots impact is unmatched in the industry and is delivering real impact on livelihoods and the environment.

Cafédirect continued to pursue its commitments via its sustainability framework, the Gold Standard and further resourced its ability to be at the forefront of purpose driven business and deliver its mission.

The company has made excellent progress on its journey of transformation towards a world class thought leader in the hot beverages market and in the world of sustainability, with tangible initiatives for launch in 2023.

Looking ahead to 2023, The Directors are confident that growth can be attained, whilst maintaining profitability, optimising impact, delivering upon the business's powerful purpose and its commitment to all its stakeholders.

STRATEGIC REVIEW

Total stock at the year-end was £5.9m (2021: £4.8m); trade debtors were £1.15m (2021 £1.5m) and trade creditors were £3.1m (2021: £2.6m). Stocks were much higher than planned or prior years due to the regulatory changes relating to Brexit requiring higher raw material stocks to be held.

Cash balances at year close of £185k (2021: £529k) reflecting an increase in stock, offset by reduction in debtors and an increase in the amount owed to creditors. Consistent with its principles of social responsibility, it is a matter of policy that supplier liabilities are paid on time.

After making provision for potential losses on maturation on forward foreign currency contracts, the company year-end balance sheet showed positive net assets of £3.6m, (2021: £3.5m).

THE GOLD STANDARD

In 2022, further to the launch of the New Gold Standard in 2021, Cafédirect refined the Gold Standard to focus on 12 deliverable initiatives across Growers, Community, The Environment and Business. The 2022 Impact Report will highlight a number of key initiatives including:

- Significant work developing a range of coffees focussed on gender empowerment, youth engagement and climate change action to better connect consumers with our purpose
- Work to set our science based near term and 2040 net zero targets, an example of which is the work to move our packaging to be fully recyclable (99% of production From January 2023)
- The outstanding B Corp recertification score that reflects how our mission is locked into our company structure / governance. Together this means we are well placed to inspire others towards a just transition to the low carbon future we and our growers need

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

The Annual Impact Report and Gold Standard will be presented to shareholders at Cafédirect's Annual General Meeting during June 2023.

KEY PERFORMANCE INDICATORS

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

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

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

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

Performance in 2022 against these indicators is set out in the 'Benefits to Growers' section below.

BENEFITS TO GROWERS

As a Fairtrade company, Cafédirect meets all of the requirements laid down by the Fairtrade Labelling Organisation (FLO), including the payment of Fairtrade premiums for coffee, tea and cocoa raw materials. In 2022, Cafédirect paid Fairtrade premiums of £645,461 (2021: £620,043). In addition,

STRATEGIC REVIEW

Cafédirect continued its commitment to Organic with payments of Organic Premiums of £711,247 (2021 £561,300). This is the first time in Cafedirect's history that Organic premiums have exceeded Fairtrade premiums. This strategic shift over the last 5 years is a clear and compelling recognition of the inextricable link between social justice and climate justice.

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

This is a key element of delivering the company's goal of empowering disadvantaged smallholder producers. It also more broadly supports disadvantaged smallholder communities, not just growers who supply product to Cafédirect, as the benefits of Producers Direct are widely shared. In 2022, Cafédirect made donations of £100,000 to Producers Direct (2021: £102,447) to support the organisation.

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

Cafédirect's Articles of Association determine that one third of its profits shall be allocated to strengthening smallholder grower organisations in developing countries. This sum has been exclusively donated to Producers Direct since its formation. The formula has been modified since 2010 due to Cafédirect sustaining financial losses to ensure that the base operating costs of Producers Direct were funded. It is planned to continue to do so whilst Cafédirect's profitability is at such a level that the resultant donation arising from the formula would not provide adequate funding to meet the basic operational needs of Producers Direct. The Directors of Cafédirect are optimistic that a return to this formula can in future obviate the need for special consideration and funding and deliver a more predictable revenue stream to the Producers Direct.

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

Raw material purchases from grower organisations in Latin America, Africa and Asia in 2022 were as follows:

- 1,775 tonnes of coffee beans (2021: 1,861 tonnes)
- 7.8 tonnes of tea (2021: 40 tonnes)

RISKS AND UNCERTAINTIES

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

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

- The company buys raw material commodities (coffee, tea and cocoa) from small and disadvantaged growers, often located in remote and under-developed regions of the world. The market prices of these commodities are quoted on international commodity exchanges. Any increases or volatility in prices or shortages in supply can affect the company's performance. The company mitigates this risk by holding appropriate levels of stock in the supply chain. During 2022 further potential risk to supply presented itself in the form of the Coronavirus pandemic. At the time of writing Cafédirect has not experienced any issues relating to supply but is alert to the fact that the impact of the pandemic is unpredictable and sudden outbreaks can impact on our partners' ability to deliver. Accordingly the business is prepared to source raw materials from alternative sources and is carrying higher levels of stock in order to provide contingency against unexpected supply issues

- 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 18 to the accounts; At 31 December 2021 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 18 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 ensuring that it invests in developing brand awareness and strong consumer demand
- Competitive pricing and discounting in the hot beverages market can impact the company's sales volumes and market share. To mitigate this risk the company continually reviews its overall competitiveness in the market, incurs appropriate levels of promotional spend and focuses on promoting the distinctive elements of its brand
- Cafédirect operates within working capital constraints which can be exacerbated by the seasonal nature of coffee harvests. This necessitates both a commitment to purchase and investment of working capital in raw material stocks well in advance of sales. The company mitigates this risk by forward planning of coffee purchases; ensuring a strong focus on cash management; maintaining borrowing facilities secured against raw material stock at peak times of the year, deferring stock delivery in partnership with its key broker as necessary, and ensuring that business plans establish a sustainable cash position for the future
- The unknown future risk and impacts of the Coronavirus pandemic continue to be actively contemplated and acted upon as they arise by the Executive of Cafédirect in the context of its responsibilities as an employer and corporate citizen. The aim is to protect, so far as it is able, its employees and the wider population from infection and to safeguard Cafédirect's commercial and financial position during a period that continues to present material risk. Cafédirect has a policy document which is constantly updated to reflect current events and to aim to achieve best practice in protecting people, its business and that of its partners. This is routinely shared with all staff.

SECTION 172 STATEMENT

This section serves as Cafédirect plc's section 172 statement and should be read in conjunction with the contents elsewhere in this strategic report. Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders in their decision making.

The directors continue to act with regard to the long term interests of the Company's employees and other stakeholders, including the impact of its activities on the community and the environment. Cafédirect embraces its responsibilities diligently and with great care and regards this as being central to its success. The directors are guided in all of their decision making by the Company's Gold Standard and Cafédirect's status as a social enterprise and certified B-Corporation, and in respecting Cafédirect's culture and reputation for upholding the highest standards of business conduct.

The directors also recognise the importance of respecting commercial necessities and sound practices - safeguarding the interests of its shareholders. It enacts this by ensuring Cafédirect is a viable and ambitious trading company that can maximise its impact on stakeholders by achieving successful brand growth accompanied by strong financial results.

Stakeholder Engagement

By maintaining regular dialogue with all stakeholder groups, the leadership communicates frequently on matters of strategy, tactical actions, performance and governance. It endeavours to acquire meaningful feedback and incorporate this to shape its actions and inform the Board's decision making process.

STRATEGIC REVIEW

Recognising the importance of balancing the interests of all stakeholders, Cafédirect's engagement with them is set out as follows:

- **Farmer Producers** are the reason that Cafédirect exists and its decision making reflects this. Through representation on the board, the farming community has a voice and is positioned to provide direct feedback about challenges they face and be a part of the decision making process. Cafédirect maintains direct relationships with farming co-operatives at origin via its supply chain and marketing functions, as well as via Producers Direct, the charity founded in 2009 by Cafédirect to orchestrate and deliver meaningful impact and support the wellbeing of communities at origin
- **Employees** are recognised and respected as a group of people who carry the responsibility to deliver Cafédirect's mission. The directors maintain a policy of transparency and openness, ensuring that they are able to contribute to the governance of the business via regular meetings and forums, where feedback is actively sought and incorporated into the decision making of the Company. This policy and duty of care is extended to all those who work with Cafédirect including professional services providers and consultants
- **Shareholders** are cherished and valued for their support of Cafédirect, in many cases over a very long period of time. Due to averse results during 2010-2017, most have not yet seen positive return on their investment. The directors are committed to engaging the shareholders in plans to generate positive future returns while ensuring that they are aligned with Cafédirect's strategy for delivering. It is regarded as supremely important to relate sustainable financial and operating performance and to listen to concerns expressed and to incorporate this in the Board's decision making. Communication is primarily via regular quarterly updates and the Company's annual general meeting
- **Business partners** – this embraces not only suppliers and customers, but all organisations that support Cafédirect in its day to day business. These relationships are managed by both sales and operational staff in a manner that is consistent with the company's ethical values and principles. The directors impress on the company the importance of care, transparency and respect; its obligation to support its partners to be successful and to understand what is important to them, aligning their priorities with ours to form relationships of the highest quality
- **Financial partners** are critical to the company's ability to trade through lending and other services required. Cafédirect has a very long-standing relationship with its banker, Triodos (itself a social enterprise), with whom it communicates with on a monthly basis to discuss performance and current matters. The directors are committed to ensuring that the Bank are in a position to manage their risk and that the two organisations work together to ensure adequate facilities and working capital are in place.

Promoting the Success of the Company

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

There are no plans for any material changes in the company's approach to business in the coming year.

The business will continue to invest in social and economic impact, products, people, the personal development of those people, technological capability, and customer/consumer engagement in a meaningful way. It will enhance its corporate identity such that it will continue to set itself apart from its competitors. These activities will further heighten its profile as a highly regarded brand of great value and importance in the hot drinks sector.

Cafédirect considers collaborative engagement with all stakeholders as central to its definition of "success". It has, since its incorporation put the aim of improving the lives of the farming communities, on which the business depends, at front and centre of its mission – with board representation and, as the name "Cafédirect" suggests, maintaining direct and longstanding relationships with co-operatives in countries of origin. Furthermore, great value is placed on relationships of respect with all of its partners in business, local communities, organisations that further the cause of ethical trade, and on providing meaningful careers and prospects for its employees by providing a challenging but caring environment for their development, while working to take care of matters of wellbeing. The directors and business leadership regard their duty of care in respect of all of the above as critical to deliver the best long-term benefit to its shareholders both in terms of financial return, and the impact created by their investment in Cafédirect.

Best in class sales and marketing, purpose, procurement, supply chain and financial management will continue to focus on enabling the future success of the business and delivery of its pioneering mission.

By order of the Board

John Steel
Director
2nd March 2023

DIRECTOR'S REPORT

The directors present their report and financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

The results for the year are set out on page 23.

Whilst Cafédirect reported a profit for the year, the directors are not recommending the payment of a dividend due to there being no distributable reserves (2021: 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:

	2022 Ordinary Shares	2021 Ordinary Shares
John Philips	20,055	20,055
Hendrik Baron de Kock	-	-
Lebi Hudson	-	-
John Steel	97,970	93,440
Monica Middleton	-	-
Robert Humphreys	-	-
Raul Torres	-	-

SUBSTANTIAL SHAREHOLDINGS

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

	No. of Ordinary shares	% of total
Oikocredit, Ecumenical Development Co-Operative Society, U.A.	3,166,667	27.7%
Oxfam Activities Limited	970,466	8.5%
Cafédirect Producers Limited	461,600	4.0%

ANALYSIS OF ORDINARY SHAREHOLDERS AT 31 DECEMBER 2022

Number of shares	Number of shareholders	% of total shareholders	Number of shares	% of total Shares
1 – 500	2,109	50.8	840,415	7.3
501 – 1,000	993	23.9	904,963	7.9
1,001 – 5,000	903	21.7	2,148,746	18.8
5,001 – 10,000	83	2.0	613,384	5.4
10,001 and over	67	1.6	6,927,698	60.6
Total	4,155	100.0	11,435,206	100.0

GUARDIANS' SHARE

The company has one Guardians' share, held by the Guardian Share Company Limited (Company No. 04863720). As at the date of this report, there are three members of the Guardian Share Company

Limited, Oxfam Activities Limited, Cafédirect Producers Limited and Oikocredit Ecumenical Development Co-Operative Society, U.A.

POLITICAL AND CHARITABLE DONATIONS

During the year the company made donations
of £100,000 to Cafédirect Producers' Foundation (2021: £102,447). The company made no political donations during the year (2021: Nil).

EMPLOYEES

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

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

Pensions

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

Healthcare

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

Share Ownership

Cafédirect is committed to increasing the ownership of shares in the Company by its employees. While no awards were made during 2022, it is planned to launch a new scheme during 2023 to expand equity ownership among staff.

PAYMENT OF SUPPLIERS

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

STRATEGIC REPORT

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

GOING CONCERN

As detailed in the strategic report, the company delivered a profit after tax for the year of £44,023 (2021 loss: £175,485) with sales having declined 1% compared with 2021 in the face of significant challenge arising from volatility in commodity pricing, input costs, regulation changes and a more unpredictable market landscape.
Uncertain and volatile economic conditions and heightened external risks have persisted throughout 2022:

- Significant inflationary pressure across all input cost categories together with a future trajectory that is difficult to judge
- Volatility in commodity pricing (green coffee)
- Sharp increase in interest rates with unpredictable and likely delayed effects
- Broader macro-economic conditions that interrelate with the above and more broadly continue to cause volatility and unpredictability

- Regulatory changes, specifically in relation to Brexit and its impact on production of organic produce where supply chain operations are located in in European countries. This caused material financial and operational challenge during 2022 but this has been eliminated in 2023 though the consequences will continue into the first half of 2023
- Sensitivity to working capital challenges, particularly in the face of EU regulation changes referred to above which caused material increase in stockholding at the end 2022
- Reduction in demand arising from recessionary pressures

To mitigate the risks associated with the above, Cafédirect continues to reflect input cost changes in pricing with its customers in the fairest way it can whilst being mindful of maintaining volume and share. It is also working to ensure that products are aligned to the market and focus on innovation and development of its range.

To resolve the challenges brought about by the changes to EU regulation changes, Cafédirect has established a subsidiary in the Republic of Ireland through which all purchasing and manufacturing is undertaken.

Expenditure planning is carefully prioritised and the business is positioned to remain agile in the face of external factors and effectively manage impacts to profitability and working capital.

2022 ended with a weaker cash position of £185,026 (2021 £528,837) due to the level of stockholding. The pressure on the cash position was alleviated with additional support from Cafédirect's bankers during the first half of 2023 from which point a return to "Business as usual" with the company's stockholding will restore a sustainable cash position.

Overall despite the various challenges, Cafédirect is planning to resume its growth trajectory, building on its growth in Grocery retail in 2022. It has prudently undertaken detailed scenario planning to ensure it can trade responsibly in the event of a downturn, aware that risks in the market environment remained heightened.

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

Scenario planning indicates that Cafédirect remains sufficiently resilient to withstand all foreseeable scenarios.

AUDITOR

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

By order of the Board

John Philips
Chairman

2nd March 2023

INTERNAL CONTROL

CODE OF BEST PRACTICE

The Board recognises that the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018, represents best practice for public companies and is committed to working towards compliance with the code in a manner that is appropriate to the company's size and structure.

THE BOARD

At 31st December 2022, the Board consisted of:

- Non-executive chair
- Chief Executive
- 1 Independent non-executive director (finance representative)
- 2 Producer directors
- 1 Guardian Share Company nominee director (also acting as consumer representative)
- 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, Lebi Hudson and John Philips retired, and both offered themselves for re-election and were re-elected. The selection of new directors is delegated to the Nominations and Remuneration Committee, which makes recommendations to the Board. Cafédirect Producers Limited and the Guardian Share Company Limited nominate the Producer directors and the Guardians nominee director respectively. This is a deviation from Provision 18 of the UK Corporate Governance Code which states that "all directors should be subject to annual re-election". Cafédirect has chosen not to implement this at this time since it regards other safeguards in place, such as the oversight of the Guardian Share Company, broad representation on the board from a diverse group of stakeholders and continuity as offering more protection to its mission and governance than frequency of succession.

THE DIRECTORS

EXECUTIVE DIRECTOR

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

NON EXECUTIVE DIRECTORS

Chairman:

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

Guardian Share Company nominee director:

Monica Middleton was appointed as Chair of the Guardian Share Company in December 2019 and serves on the board of Cafédirect as its nominee director and Chair of its nominations and remuneration committee.

Monica served as Oikocredit's UK Managing Director until 2019, prior to which she spent 25 years in executive commercial, marketing and advertising positions for corporates such as Dyson Electronics, the BBC, AMV.BBDO, and JWT as well as a smattering of SMEs. Alongside Cafédirect, she serves on the Boards of the Ethical Property Company, UK Women in Social Finance, Liberty Steel Group, and Liberty Infrabuild Steel Limted pulling focus on strategic environmental, social and governance imperatives in particular.

INTERNAL CONTROL

Financial director
Robert Humphreys was appointed as a director and Chair of the Company's Audit Committee in March 2020.

Robert previously served as the Director of Finance and Information Systems at Oxfam GB, and prior to that worked in professional practice for PriceWaterhouseCoopers for 26 years. His work for PwC was characterised by exposure to a broad range of both for-profit and not-for-profit organisations. He has served as a member of the ICAEW Corporate Governance Committee and is currently a board member of a major not-for-profit organisation.

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.

Raul has excellent experience in agriculture and the co-operative movement in Peru. Raul has held leadership positions in many agricultural organisations and worked for the government reviewing the role of co-operative models and the management of conflict in farming. Raul is well known and well respected amongst the Cafédirect coffee producer community and the Peru coffee world.

Director nominated by Oikocredit:
Hendrik Baron De Kock has thirty years' experience in the coffee industry including commercial and leadership roles with Douwe Egberts and successful establishment, leadership and sale of a well-known, highly progressive coffee shop chain in Holland.

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

DIRECTORS' REMUNERATION

The Board has established a Nominations and Remunerations Committee, consisting entirely of non-executive directors. Details of each director's remuneration are set out on page 18.

SHAREHOLDER INFORMATION

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

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

Link Asset Services
Central Square, 10th Floor
29 Wellington Street
Leeds
LS1 4AP

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

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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.

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

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

- Budgetary control over all departments, measuring performance against pre-determined targets on a monthly basis
- Regular forecasting and reviews covering trading performance, assets, liabilities and cash flow

- Delegated limits of authority covering key financial commitments including capital expenditure and recruitment
- Identification and management of key business risks

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

Robert Humphreys
Director

2nd March 2023

REPORT OF THE AUDIT COMMITTEE

Committee members during the year were:

Robert Humphreys (Chair)
Hendrik Baron de Kock

The ongoing membership of the Committee is normally two people, which is considered adequate for a company of this size and scale and is in accordance with the terms of reference for the Committee agreed by the Board. Members have considerable experience of financial reporting and of risk management. The Committee is supported by the Head of Finance and the Chief Executive Officer, who, in keeping with good practice, are not formally members of the Committee.

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 three times during the year and again in January and February 2023 to review the audit plan and FY2023 accounts and the audit findings report respectively. The Chair of the Committee met regularly with the Head of Finance.

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

- Review of 2022 financial accounts and audit following the re-appointment of Crowe UK LLP as the company's auditor
- Monitoring the integrity of the financial statements, plans and forecasts, with a particular focus on cash flow management, developing longer term planning and the financing needs of the business to ensure future sustainability
- The business' ongoing capacity to accommodate and adapt to to changes to organic regulations resulting from the United Kingdom's exit from the European Union (as referenced in the Business Review and Director's Report sections on pages 2 and 8). This included oversight of the legal, tax and accounting implications of the resultant action to incorporate a new subsidiary in the Republic of Ireland.
- Continuous improvement to processes around risk management and accountabilities, including how risks are identified, mitigated and reported to the Committee and the board of directors
- Working with the external auditors and monitoring the ongoing audit requirements of the company, including providing input to the audit plan
- Monitoring the ongoing legal and banking requirements of the company, including compliance with banking covenants relating to facilities in place with Triodos
- Reviewing foreign exchange hedging arrangements
- Review of internal controls
- Continuing work to revise and formalise policies in relation to the Committee's terms of reference, including whistle-blowing, capability audits, internal audit

The Committee has continued to be involved, along with the Board, in considering the information on which the directors determine that the accounts should be prepared on a going concern basis. As noted, the cash position of the Company remains under constant review by Management and will continue to be the subject of ongoing and frequent review by the Board. While noting the volatility and unpredictability that continues to prevail in the external environment, the Committee is mindful of the risk that this poses to working capital security and profitability. Accordingly the Chair and the Head of Finance maintain ongoing dialogue to ensure that information presented to the Board adapts to the Company's circumstances to ensure sound financial governance.

It is noted that the covenants in place that support the loan from Triodos, had been breached on twelve occasions during 2022 (2021: eight occasions) – in all but one cases related to the profit measure. In five of these cases, the breach was for achievement of profit above the budget target. The cause of the six breaches on the profit measure were due to weaker than expected net sales in Quarter 1 and the impact of unforeseen and significant increases in input costs. This was due mainly to coffee prices, but also the fall in the value of the Pound versus US Dollar. The one breach on the gross sales measure occurred in August where grocery retail was weaker than expected. In all instances the breaches were confirmed by Triodos as not being a matter of concern.

REPORT OF THE AUDIT COMMITTEE

Officers of the Company continue to engage closely with Triodos about the detail of future plans, particularly as forecasts change, and ensure that any covenant breaches are fully explained.

The company maintains a comprehensive risk register that is reviewed by the Executive on a monthly basis to assess the status of each risk and to document mitigating or avoiding actions; whether new risks have arisen, also to ensure the appropriate person in the organisation is accountable for the management of those risks. The register is reviewed by the Committee at each of its meetings. Material risks are notified to the Board as appropriate.

The Committee remains highly alert in ensuring adequate financial governance and risk assessment in consideration of the many significant factors that affect Cafédirect's trading environment. This current heightened uncertainty impacts on the whole range of the Company's activities, with potential impact arising from elevated supply risk, changing consumer behaviours, market dynamics and cost inflation which may present the business with future challenges that are difficult to foresee. Accordingly the Committee subjects the Executive to heightened challenge to ensure Cafédirect is adaptable and that the risks are appropriately contemplated.

The technology projects implemented over the last four years have provided improved capability to enhance the system of internal controls within Cafédirect. The company's ERP and supporting systems are subject to continuous improvement to improve control and efficiency. The Committee will maintain continuous monitoring and oversee development of further improvements in conjunction with an overall review to ensure that documented controls are adequate and keeping pace with changes in the organisation.

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

Robert Humphreys
Chair – Audit Committee

2nd March 2023

REPORT OF THE NOMINATIONS AND REMUNERATION COMMITTEE

Committee members during the year:

Monica Middleton (Chair)
John Philips
Lebi Hudson

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

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

The Committee met formally five times in 2022.

NOMINATIONS - KEY ACTIVITIES

Objective:

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

Outcome:

Lebi Hudson, the Non-Executive Director representing the East African members of Cafédirect Producers Limited ("CPL"), was due to retire in June 2022 following the completion of his second term. CPL manages the nominations process of this appointment with support from Producers Direct and Cafédirect plc. Lebi Hudson agreed to extend his tenure to June 2023 to support Producers Direct and CPL with transition to a new Non-Executive Director.

REMUNERATION - KEY ACTIVITIES

Objective:

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

Outcome:

The policy was reviewed during 2022. In summary, the company looks for employees who are socially and environmentally motivated, as well as having the necessary skills and experience to manage and grow the business successfully in very tough trading conditions. A broad range of different factors are considered when determining remuneration. These include London-based, Third Sector, and FMCG salary differentials as well as specific experience and skill requirements.

Objective:

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

Outcome:

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

No share incentive plan was approved in 2022.

REPORT OF THE NOMINATIONS AND REMUNERATION COMMITTEE

Objective:

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

Outcome:

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

Executive Directors

There is only one Executive Director, the Chief Executive Officer. Basic entitlements:

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

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

CHAIR AND NON-EXECUTIVE DIRECTORS' FEES

The remuneration of the Chair and the non-executive directors is at levels intended to reflect the purpose-led nature of the business and the ongoing time commitments and involvement required.

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

The fees for non-executive directors continued at the same level as 2021.

DIRECTORS' REMUNERATION

For the year ended 31 December 2022:	Fees £	Salary £	Pension Contribution £	Total £
John Philips (Chair)	15,000	-	-	15,000
Hendrik Baron de Kock	-	-	-	-
Lebi Hudson	6,000	-	-	6,000
John Steel (Chief Executive)	-	151,510	13,481	164,991
Monica Middleton	6,000	-	-	6,000
Robert Humphreys	6,000	-	-	6,000
Raul Torres	6,000	-	-	6,000
	39,000	151,510	13,481	203,991

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

REPORT OF THE NOMINATIONS AND REMUNERATION COMMITTEE

Fees for Raul Torres were paid to Federacion Nacional de Cooperativas Agra in Peru.

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

Director's remuneration does not take into account policies applied when setting pay and conditions of employment of employees, since identical policies are applied consistently for both directors and employees. Given the market driven approach to evaluating fair remuneration for directors and the consistent policies/approach that apply to all remuneration considerations, the Company did not consider it necessary to consult with employees in relation to directors' remuneration.

No representations were received from shareholders of any kind expressing any view in relation to directors' remuneration.

DIRECTORS' ATTENDANCE AT MEETINGS

For the year ended 31 December 2022:	Full Board Meetings	Remuneration Committee	Audit Committee
John Philips (Chair)	6	4	-
Hendrik Baron de Kock	6	-	2
Lebi Hudson	3	4	-
John Steel	6	4	1
Monica Middleton	4	4	-
Robert Humphreys	5	-	2
Raul Torres	5	-	-

Monica Middleton
Chair – Nominations and Remuneration Committee
2nd March 2023

Independent Auditor's Report to the Members of Cafedirect Plc

We have audited the financial statements of Cafédirect plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2022, which comprise:

- the Group consolidated statement of comprehensive income for the year ended 31 December 2022;
- the Group consolidated statement of financial position as at 31 December 2022;
- the Parent Company statement of financial position as at 31 December 2022;
- the Group consolidated statement of changes in equity for the year then ended; and
- the Parent Company statement of changes in equity for the year then ended; and
- the Group consolidated statement of cash flows for the year then ended;
- the Parent Company statement of cash flows for the year then ended;
- the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit is capable of detecting irregularities, including fraud

We design our procedures so as to obtain sufficient appropriate audit evidence that the financial statements are not materially misstated due to non-compliance with laws and regulations or due to fraud or error.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations – this responsibility lies with management with the oversight of the Directors and the Audit Committee.

Based on our understanding of the Group and Parent Company and industry, discussions with management and the Audit Committee we identified financial reporting standards and Companies Act 2006 as having a direct effect on the amounts and disclosures in the financial statements.

Other laws and regulations where non-compliance may have a material effect on the Group's and Parent Company's operations is compliance with the Fair Trade regulations.

As part of the engagement team discussion about how and where the financial statements may be materially misstated due to fraud, we did not identify any areas with an increased risk of fraud.

Our audit procedures included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the Board of directors minutes;
- enquiry of management and review and inspection of relevant correspondence with any legal firms;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- review of accounting estimates for biases including the carrying value of stock which is included in the Key Audit Matters;

Use of our report

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

John Glasby

Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

2 March 2023

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2022

	Notes	2022 £	2021 £
TURNOVER	2	17,564,734	17,763,199
Cost of sales	3	(14,082,730)	(13,818,490)
GROSS PROFIT		3,482,004	3,944,709
Administrative expenses	4	(3,359,009)	(4,060,514)
OPERATING PROFIT/(LOSS)		122,995	(115,805)
Interest receivable and similar income	5	2,503	8
Interest payable and similar charges	6	(81,475)	(59,688)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	8	44,023	(175,485)
Taxation	10	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR		44,023	(175,485)
OTHER COMPREHENSIVE INCOME			
Fair value (losses) / gains on foreign exchange forward contracts	18	13,751	(15,670)
Fair value gains / (losses) reclassified to profit and loss	18	(13,641)	114,710
Other comprehensive income		110	99,040
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		44,133	(76,445)
Earnings per share (EPS) (Basic)	7	0.39p	-0.67p

Cafédirect Group of Companies

STATEMENT OF FINANCIAL POSITION
For the year ended 31st December 2022

Group Statement of Financial Position

	Notes	2022 £	2021 £
FIXED ASSETS			
Intangible assets	11	168,982	162,872
Tangible assets	12	83,869	102,565
		252,851	265,437
CURRENT ASSETS			
Stocks	14	5,928,851	4,777,708
Debtors due within one year	15	1,424,704	1,818,248
Cash at bank and in hand		185,026	528,837
		7,538,581	7,124,793
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	16	(3,661,701)	(3,153,997)
NET CURRENT ASSETS		3,876,880	3,970,796
TOTAL ASSETS LESS CURRENT LIABILITIES		4,129,731	4,236,233
Creditors: amounts falling due in more than one year	17	(524,579)	(675,213)
NET ASSETS		3,605,152	3,561,020

	Notes	2022 £	2021 £
CAPITAL AND RESERVES			
Called up share capital	20	2,858,801	2,858,801
Share premium account		4,174,088	4,174,088
Hedging reserve	18	-	(110)
Profit and loss account		(3,427,737)	(3,471,759)
TOTAL EQUITY		3,605,152	3,561,020

STATEMENT OF FINANCIAL POSITION
As at the year ended 31st December 2022

Company Statement of Financial Position

	Notes	2022 £	2021 £
FIXED ASSETS			
Intangible assets	11	168,982	162,872
Investment in Subsidiary	13	89	-
Tangible assets	12	83,869	102,565
		252,940	265,437
CURRENT ASSETS			
Stocks	14	5,928,851	4,777,708
Debtors due within one year	15	1,424,704	1,818,248
Cash at bank and in hand		185,026	528,837
		7,538,581	7,124,793
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	16	(3,661,701)	(3,153,997)
NET CURRENT ASSETS		3,876,880	3,970,796
TOTAL ASSETS LESS CURRENT LIABILITIES		4,129,820	4,236,233
Creditors: amounts falling due in more than one year	17	(524,579)	(675,213)
NET ASSETS		3,605,241	3,561,020

	Notes	2022 £	2021 £
CAPITAL AND RESERVES			
Called up share capital	20	2,858,890	2,858,801
Share premium account		4,174,088	4,174,088
Hedging reserve	18	-	(110)
Profit and loss account		(3,427,737)	(3,471,759)
TOTAL EQUITY		3,605,241	3,561,020

The financial statements on pages 23 to 46 were approved by the board of directors and authorised for issue on 2nd March 2023 and are signed on its behalf by:

Robert Humphreys
Director

Cafédirect plc

STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2022

Group Statement of Changes in Equity

	Notes	Share capital	Share premium	Hedging reserve	Profit and loss account	Total
		£	£	£	£	£
Balance at 1st January 2021		2,846,051	4,174,088	(99,150)	(3,296,275)	3,624,714
Issue of 25p Ordinary Shares		12,750	-	-	-	12,750
Profit for the year					(175,485)	(175,485)
Other comprehensive income, net of tax:-						
Fair value gains on effective hedge	18	-	-	(15,670)	-	(15,670)
Fair value gains reclassified to profit and loss	18	-	-	114,710	-	114,710
Total comprehensive income for the year				99,040	(175,485)	(76,445)
Balance at 31st December 2021 and 1st January 2022		2,858,801	4,174,088	(110)	(3,471,760)	3,561,019
Movements in Share Capital						
Profit for the year		-	-	-	44,023	44,023
Other comprehensive income, net of tax:-						
Fair value gains on effective hedge	18	-	-	13,751	-	13,751
Fair value gains reclassified to profit and loss	18	-	-	(13,641)	-	(13,641)
Total comprehensive income for the year				110	44,023	44,133
Balance at 31st December 2022		2,858,801	4,174,088	-	(3,427,737)	3,605,152

Cafédirect plc

STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2022

Company Statement of Changes in Equity

	Notes	Share capital	Share premium	Hedging reserve	Profit and loss account	Total
		£	£	£	£	£
Balance at 1st January 2021		2,846,051	4,174,088	(99,150)	(3,296,275)	3,624,714
Issue of 25p Ordinary Shares		12,750	-	-	-	12,750
Profit for the year					(175,485)	(175,485)
Other comprehensive income, net of tax:-						
Fair value gains on effective hedge		-	-	(15,670)	-	(15,670)
Fair value gains reclassified to profit and loss	18	-	-	114,710	-	114,710
Total comprehensive income for the year				99,040	(175,485)	(76,445)
Balance at 31st December 2021 and 1st January 2022		2,858,801	4,174,088	(110)	(3,471,760)	3,561,019
Movements in Share Capital						
Profit for the year		-	-	-	44,023	44,023
Other comprehensive income, net of tax:-						
Fair value gains on effective hedge		-	-	13,751	-	13,751
Fair value gains reclassified to profit and loss	18	-	-	(13,641)	-	(13,641)
Total comprehensive income for the year				110	44,023	44,133
Balance at 31st December 2022		2,858,801	4,174,088	-	(3,427,737)	3,605,152

STATEMENT OF CASH FLOWS
For the year ended 31st December 2022

Group Statement of Cash Flows

	Notes	2022 £	2021 £
OPERATING ACTIVITIES			
Cash generated (used) in operations	21	(9,945)	694,389
Interest paid		(81,475)	(59,688)
NET CASH USED IN OPERATING ACTIVITIES		(91,420)	634,701
INVESTING ACTIVITIES			
Purchase of intangible assets		(72,480)	(69,573)
Purchase of tangible fixed assets		(26,217)	(71,091)
Interest received		2,503	8
NET CASH USED IN INVESTING ACTIVITIES		(96,194)	(140,656)
FINANCING ACTIVITIES			
Repayment of borrowings		(156,197)	(104,879)
NET CASH FROM FINANCING ACTIVITIES		(156,197)	(104,879)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(343,811)	389,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		528,837	139,671
NET DEBT AND CASH EQUIVALENTS AT END OF YEAR	21	185,026	528,837

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 £	2021 £
OPERATING ACTIVITIES			
Cash generated (used) in operations	21	(9,945)	694,389
Interest paid		(81,475)	(59,688)
NET CASH USED IN OPERATING ACTIVITIES		(91,420)	634,701
INVESTING ACTIVITIES			
Purchase of intangible assets		(72,480)	(69,573)
Purchase of tangible fixed assets		(26,217)	(71,091)
Interest received		2,503	8
NET CASH USED IN INVESTING ACTIVITIES		(96,194)	(140,656)
FINANCING ACTIVITIES			
Repayment of borrowings		(156,197)	(104,879)
NET CASH FROM FINANCING ACTIVITIES		(156,197)	(104,879)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(343,811)	389,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		528,837	139,671
NET DEBT AND CASH EQUIVALENTS AT END OF YEAR	21	185,026	528,837

GENERAL INFORMATION

Cafédirect plc (“the Company”) (registration number:SC141496) is a public limited company by shares domiciled and incorporated in Scotland.

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 4, Bayford Street Industrial Unit, Bayford Street, London E8 3SE.

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

BASIS OF CONSOLIDATION
The consolidated financial statements present the results of the company and its own subsidiaries (“the Group”) as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

BASIS OF ACCOUNTING

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

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

GOING CONCERN

As detailed in the strategic report, the company made a profit after tax for the year of £44,023 (2021: loss £175,485). The cash position at the balance sheet date is £185,026 (2021: £528,837) reflecting increased investment in stock together with the matching increase in creditors as well as a reduced debtor balance.

The continued effects of the cost inflation as well as broader issues in local and national markets have been anticipated in Cafédirect’s planning, with a conservative approach to spending and maintaining flexibility to reduce spend in the event of a downturn in sales or profitability.

Inflationary impacts have been offset by the execution of prices increases to its customers and a working capital plan which allows for any foreseeable downsides to be accommodated within existing facilities.

Having reviewed the budget and updated forecasts, including multiple scenarios involving varying reductions in revenues, through FY2022 through to the end of FY2023, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue meeting its liabilities as they fall due for the foreseeable future. Accordingly, the going concern basis has been adopted in the preparation of the accounts.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

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

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

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

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

TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. Turnover is shown net of Value Added Tax.

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

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

OTHER INCOME

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

INTANGIBLE FIXED ASSETS

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

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

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

Purchased computer software	Over five years on a straight line basis

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

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

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

Leasehold improvements	Over the life of the lease
Fixtures, fittings and equipment	Over three years on a straight line basis
Computer equipment	Over five years on a straight line basis

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

IMPAIRMENTS OF FIXED ASSETS

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

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

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

STOCKS

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

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

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

TAXATION

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

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

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

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

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

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

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

LEASES

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

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

EMPLOYEE BENEFITS

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

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

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

RETIREMENT BENEFITS

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

SHARE BASED PAYMENTS

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

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

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

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

FINANCIAL INSTRUMENTS

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

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

Financial assets

Trade debtors

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

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

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

Financial liabilities and equity

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

Equity instruments

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

Bank overdrafts

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

Trade creditors

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

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

1. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

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

Accruals

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

Stock

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

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

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

Debtors

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

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

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

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

2. TURNOVER

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

	Group		Company	
Class of Business	2022	2021	2022	2021
	£	£	£	£
Continuing operations:				
Coffee	17,151,025	16,920,033	17,151,025	16,920,033
Tea	274,810	449,793	274,810	449,793
Hot chocolate	69,303	297,724	69,303	297,724
Ancillaries	69,596	95,649	69,596	95,649
	17,564,734	17,763,199	17,564,734	17,763,199

An analysis of the geographical location of the Group and Company turnover is as follows:

	Group		Company	
	2022	2021	2022	2021
Geographical segments:	£	£	£	£
Continuing operations:				
UK	17,095,030	16,868,584	17,095,030	16,868,584
Overseas sales	469,704	894,615	469,704	894,615
	17,564,734	17,763,199	17,564,734	17,763,199

3. COST OF SALES INCLUDING PREMIUMS PAID TO PRODUCERS ORGANISATIONS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Opening stock at start of year	4,777,708	5,031,091	4,777,708	5,031,091
Purchases	14,452,569	12,945,065	14,452,569	12,945,065
Premiums	781,304	620,043	781,304	620,043
Closing stock as at end of year	(5,928,851)	(4,777,708)	(5,928,851)	(4,777,708)
	14,082,730	13,818,491	14,082,730	13,818,491

4. ADMINISTRATION EXPENSES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Staff costs and other personnel costs	2,117,323	1,928,771	2,117,323	1,928,771
Marketing costs	437,020	1,352,546	437,020	1,352,546
Property-related costs	82,131	117,802	82,131	117,802
Depreciation & Amortisation	94,032	74,578	94,032	74,578
Legal and compliance costs	133,613	108,080	133,613	108,080
IT and office costs	126,338	120,690	126,338	120,690
Other administrative expenses	267,552	255,600	267,552	255,600
Donations	101,000	102,447	101,000	102,447
	3,359,009	4,060,514	3,359,009	4,060,514

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Interest on bank deposits	2,503	8	2,503	8

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Interest arising on Other loans	81,475	59,688	81,475	59,688

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit after tax attributed to equity shareholders by the weighted average number of shares in issue after dedcuting the owned shares held by employees. There are no diluted shares as of 2022 year end.

Year ended 31 December	2022	2021
	£	£
Basic weighted average number of shares	11,435,306	11,435,206
Basic earning per share	0.39p	-0.67p

The earning per share calculations is based on profit after tax attributed to equity shareholders of the parent company. Profit after tax was £44,133 (FY2021: loss £76,445). There are no non-controlling interests to be reported.

8. PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):				
Depreciation of tangible fixed assets (note 12)	44,912	52,542	44,912	52,542
Amortisation of intangible fixed assets (note 11)	71,935	58,733	71,935	58,733
Exchange losses / (gains)	39,994	33,424	39,994	33,424
Operating lease rentals (note 21)	-	-	-	-
Stock:				
Amounts expensed to cost of sales	10,620,702	10,219,802	10,620,702	10,219,802

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

	2022	2021
	£	£
Audit services - statutory audit of the company	37,500	34,000
Other Services – Taxation Compliance Services	6,400	-
	43,900	34,000

9. EMPLOYEES

	Group		Company	
	2022	2021	2022	2021
	No.	No.	No.	No.
The average monthly number of persons employed by the Company during the year was:				
Sales and marketing	10	13	10	13
Operations and administration	21	18	21	18
	31	31	31	31

	2022	2021	2022	2021
	£	£	£	£
Staff costs for the above persons:				
Wages and salaries	1,442,876	1,286,231	1,442,876	1,286,231
Social security costs	200,874	187,574	200,874	187,574
Other pension costs and current service cost (note 23)	107,659	103,585	107,659	103,585
	1,751,409	1,577,390	1,751,409	1,577,390

DIRECTORS

In respect of the directors of Cafédirect Group of companies as well as Cafédirect plc:

	2022	2021
	£	£
Emoluments	190,510	200,810
Amounts paid to defined contribution pension schemes	13,481	12,963
	203,991	213,773

	2022	2021
The number of directors to whom retirement benefits are accruing under defined contribution schemes was:	1	1

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

	2022	2021
	£	£
Remuneration	151,510	161,810
Amounts paid to defined contribution pension schemes	13,481	12,963
	164,991	174,773

10. TAXATION

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Company profit/(loss) on ordinary activities before tax	44,023	(175,485)	44,023	(175,485)
Company profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	8,364	0	8,364	0
Effects of:				
Expenses that are not deductible in determining taxable profit	201	2,576	201	2,576
Unutilised charitable donations		19,465		19,465
Fixed Asset Differences	1,960	-	1,960	-
Tax losses not recognised as a deferred tax asset	(10,526)	(21,142)	(10,526)	(21,142)
Tax expense	-	-	-	-

At 31st December 2021, the company had estimated tax trading losses of £2,870,587 (2021: £2,917,407) which are available to carry forward against future profits of the same trade.

11. INTANGIBLE ASSETS

	Group	Company
	Computer Software £	Computer Software £
Cost:		
1st January 2022	269,290	269,290
Additions separately acquired	78,044	78,044
Disposals	-	-
31st December 2022	347,334	347,334
Amortisation and impairment:		
1st January 2022	106,418	106,418
Amortisation charged in the year	71,935	71,935
Disposals	-	-
31st December 2022	178,352	178,352
Carrying amount:		
31st December 2022	168,982	168,982
31st December 2021	162,872	162,872

12. TANGIBLE FIXED ASSETS

Group

	Computer equipment £	Fixtures, Fittings & Equipment £	Leasehold Improvements £	Total £
Cost or valuation:				
1st January 2022	56,634	107,221	76,395	240,250
Additions	21,826	4,391	-	26,217
Disposals	-	(42,463)	-	(42,463)
31st December 2022	78,460	69,149	76,395	224,004
Depreciation and impairment:				
1st January 2022	36,517	86,623	14,545	137,685
Depreciation charged in the year	13,087	15,486	16,340	44,913
Disposals	-	(42,463)	-	(42,463)
31st December 2022	49,604	59,646	30,885	140,135
Carrying amount:				
31st December 2022	28,856	9,503	45,510	83,869
31st December 2021	20,117	20,598	61,850	102,565

Company

	Computer equipment £	Fixtures, Fittings & Equipment £	Leasehold Improvements £	Total £
Cost or valuation:				
1st January 2022	56,634	107,221	76,395	240,250
Additions	21,826	4,391	-	26,217
Disposals	-	(42,463)	-	(42,463)
31st December 2022	78,460	69,149	76,395	224,004
Depreciation and impairment:				
1st January 2022	36,517	86,623	14,545	137,685
Depreciation charged in the year	13,087	15,486	16,340	44,913
Disposals	-	(42,463)	-	(42,463)
31st December 2022	49,604	59,646	30,885	140,135
Carrying amount:				
31st December 2022	28,856	9,503	45,510	83,869
31st December 2021	20,117	20,598	61,850	102,565

Fixtures, Fittings & Equipment includes foodservice equipment for rental at Cost of £4,871 (2021: £47,334) with a net book value of £0 (2021: £4,783). This equipment is leased to customers under operating leases as noted in Note 21.

13. CONTROLLING PARTY

The ultimate controlling company is Cafédirect plc, a company incorporated in Scotland which owns 100% of the shares of Cafedirect Coffee Trading Company Limited. This business was formed and registered in Ireland and thus acquired by Cafédirect plc on the 11th of July 2022.

Details of Cafedirect Coffee Trading Company Limited are as follows:

Name and registered Office	Country of Incorporation	Class of shares held	Activity	Ownership - 2022
Cafedirect Coffee Trading Company Limited Suite 10383 5 Fitzwilliam Square Dublin	Republic of Ireland	100 ordinary shares of €1 each	Buying of green coffee and sale of manufactured finished goods	100%

14. STOCKS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Raw materials and consumables	3,771,341	2,377,648	3,771,341	2,377,648
Finished goods and goods for resale	2,157,510	2,400,060	2,157,510	2,400,060
	5,928,851	4,777,708	5,928,851	4,777,708

Impairment losses recognised during 2022 on short-dated and obsolete stock were £21,257 (2021: £37,994)

Provision for obsolete stock:

	Group	Company
Opening Balance: 1 January 2022	42,261	42,261
Additions during the year	20,216	20,216
Utilisations in the year	(21,257)	(21,257)
Closing Balance: 31 December 2022	41,220	41,220

15. DEBTORS

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	1,146,027	1,450,110	1,146,027	1,450,110
Other debtors	81,772	91,169	81,772	91,169
Prepayments and accrued income	196,905	276,969	196,905	276,969
	1,424,704	1,818,248	1,424,704	1,818,248

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Bank loans	156,654	165,588	156,654	165,588
Trade creditors	3,056,601	2,558,355	3,056,601	2,558,355
Other taxation and social security costs	54,241	50,271	54,241	50,271
Other creditors	114,657	15,431	114,657	15,431
Foreign currency forward contracts (note 17)	-	110	-	110
Accruals and deferred income	279,548	364,242	279,548	364,242
	3,661,701	3,153,997	3,661,701	3,153,997

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Bank loans	524,579	675,213	524,579	675,213
	524,579	675,213	524,579	675,213

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Amounts due by instalments falling due after more than five years	-	-	-	-
	-	-	-	-

Bank borrowings are repayable between 1 January 2022 and 30 September 2026 and bear interest at 3.0% above UK Bank Base rate. The Company makes monthly repayments of the bank borrowings.

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

18. FINANCIAL INSTRUMENTS

The carrying amount of financial instruments at 31 December were:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Financial assets:				
Debt instruments measured at amortised cost	1,609,731	2,347,085	1,609,731	2,347,085
Instruments measured at fair value through profit or loss	-	-	-	-
Total	1,609,731	2,347,085	1,609,731	2,347,085
Financial liabilities:				
Measured at amortised cost	4,186,257	3,829,210	4,186,257	3,829,210

FINANCIAL INSTRUMENTS (continued)

Instruments measured at fair value through profit or loss	-	110	-	110
Total	4,186,257	3,829,320	4,186,257	3,829,320

Foreign Exchange Forward Contracts

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

Fair value gains of £13,751 (2021: loss £15,670) on foreign exchange forward contracts are deferred in other comprehensive income and will be charged to profit or loss at the maturity of contract. £13,641 was released in the year ended 31st December 2022 (2021: £114,710 released).

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

	Group		**Company**	
	2022	2021	2022	2021
	£	£	£	£
Foreign Currency Forward Contracts	-	(110)	-	(110)
	-	(110)	-	(110)

19. PROVISIONS FOR LIABILITIES

	Group		**Company**	
	Deferred Taxation	Total	Deferred Taxation	Total
	£	£	£	£
1st January 2022	-	-	-	-
Utilised in the year	21,554	21,554	21,554	21,554
31st December 2022	21,554	21,554	21,554	21,554

	Group		**Company**	
Provision for deferred tax has been made as follows:	2022	2021	2022	2021
	£	£	£	£
Deferred tax liabilities	21,554	26,726	21,554	26,726
Deferred tax assets	(21,554)	(26,726)	(21,554)	(26,726)
	-	-	-	-

The major deferred tax liabilities and assets recognised are:

	Group		Company	
Deferred tax liabilities:	2022	2021	2022	2021
	£	£	£	£
Accelerated capital allowances	21,554	26,726	21,554	26,726

Deferred tax assets:	2022	2021	2022	2021
	£	£	£	£
Other timing differences	-	-	-	-
Losses and other deductions	21,554	26,726	21,554	26,726
	21,554	26,726	21,554	26,726

20. SHARE CAPITAL & RESERVES

SHARE CAPITAL

Company

As at 31 December 2022	11,435,206 ordinary shares and 1 guardian share

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

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

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

RESERVES

Reserves of the Company represent the following:

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

Hedging Reserve (note 18)
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.

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Profit/(loss) after tax	44,023	(175,485)	44,023	(175,485)
Adjustments for:				
Depreciation of tangible fixed assets	44,912	52,542	44,912	52,542
Amortisation of intangible assets	71,935	58,733	71,935	58,733
Interest receivable	(2,503)	(8)	(2,503)	(8)
Interest payable	81,475	59,688	81,475	59,688
Operating cash flows before movements in working capital	239,842	(4,530)	239,842	(4,530)
(Increase)/Decrease in stock	(1,151,143)	253,383	(1,151,143)	253,383
(Increase)/Decrease in trade and other debtors	393,543	115,337	393,543	115,337
Increase/(Decrease) in trade and other creditors	507,813	330,199	507,813	330,199
Cash generated from / (used in) operations	(9,945)	694,389	(9,945)	694,389

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank and in hand	185,026	528,837	185,026	528,837
	185,026	528,837	185,026	528,837

22. COMMITMENTS UNDER OPERATING LEASES

The Company and Group as lessee:

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

	Group		Company	
	2022	2021	2022	2021
Amounts due:	£	£	£	£
Within one year	93,030	93,030	93,030	93,030
Between one and five years	11,215	104,499	11,215	104,499
	104,245	197,529	104,245	197,529

Lease payments recognised as an expense in the year were £93,030 (2021 £130,965)

The Company and Group as lessor:

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

	Group		Company	
	2022	2021	2022	2021
Amounts due:	£	£	£	£
Within one year	-	-	-	-
Between one and five years	-	-	-	-
	-	-	-	-

23. 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 £173,164 (2021: £116,548). Contributions owing at 31st December 2022 are £14,633 (31st December 2020 £9,840 owing).

24. OTHER FINANCIAL COMMITMENTS

At 31 December 2022 the group was committed to purchase £3,566,549 (2021: £4,381,109) of coffee beans.

25. RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Sales of goods in year	216,854	186,300	216,854	186,300
Services provided to the company	-	-	-	-
Services provided by the company	-	-	-	-
Charitable donations	100,000	102,447	100,000	102,447
Amounts owed by related parties at year end	21,937	24,026	21,937	24,026
Amounts owed to related parties at year end	25,000	-	774,694	-
Purchase of goods during the year	-	-	1,544,288	-

The related parties in 2022 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 arm's length terms.

Amounts owed to related parties as well as purchase of goods during the year relate to purchases of stock by Cafédirect from its subsidiary in Ireland namely Caferdirect Coffee Trading Company Limited from whom goods were purchased during the year.

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

26. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the directors and employees who are considered to be the key management personnel of the Group, was £884,552 (2021: £847,247).