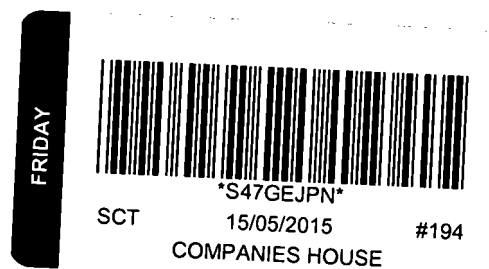


Cafédirect plc

REPORT AND FINANCIAL STATEMENTS

For the year ended

31 December 2014



Company Registration No. SC141496

Cafédirect plc

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

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

SECRETARY

Rachel Johnson

REGISTERED OFFICE

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

BUSINESS ADDRESS

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

AUDITOR

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

REGISTRAR

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

SOLICITOR

Wrigleys
19 Cookridge Street
Leeds, LS2 3AG

BANKERS

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

Natwest Bank plc
15 Bishopsgate
London, EC2P 2AP

Cafédirect plc

STRATEGIC REPORT

BUSINESS REVIEW

The company's turnover for the year ended 31 December 2014 was £11.8m compared with £12.8m in 2013, a decrease of 7% (2013: 7%). Although a number of our UK supermarket customers faced their own challenges with performance in 2014, Cafédirect's sales to this channel stabilised and showed signs of growth in the final quarter of the year. This was due to improved relationships built up in previous years and consolidated in 2014 with the launch of a number of new product innovations. Overall sales were seen to decline in the out of home sector, where the market remains challenging and customers are increasingly price sensitive. However, a number of new, iconic accounts were won which led to a refinement of the business model and which the directors are confident will help to stabilise and ultimately grow sales to this channel going forward. Sales to the export channel suffered setbacks in 2014 and ultimately declined due to disruption to orders caused by changes in distribution partners.

In total 21 new products were launched in 2014, which, in addition to sales from an online coffee subscription business acquired during the year, accounted for 5% of total company turnover. Listings of these new products continued to increase throughout the year and so will also contribute to sales growth in 2015. New product development had a significant impact on tea and roast & ground products, both of which product groups grew in 2014. Freeze-Dried Coffee and Cocoa products, where sales are higher in the price sensitive, out of home markets, fared less well and turnover declined in the year.

Gross margin percentage fell to 21% in 2014 compared to 22% in 2013. Coffee prices in 2014 increased from 2013 levels when prices were trading well below the Fairtrade minimum price for most of the year. The market continues to experience extreme volatility which causes significant challenges for Cafédirect and our producer partners when planning over the medium term.

To ensure our cost base remained appropriate for our size of business, a restructuring programme was undertaken at the start of 2014 which saw a reduction in staff numbers. One-off restructuring costs of £133,996 were incurred. As a result, underlying annual staff costs fell by 20%. Rigorous cost control in all areas of the business meant that property-related costs and other administrative expenses were kept at the same level as 2013.

As part of the cost reduction strategy, marketing spend in 2014 was focused on the production, launch and support of new products and overall spend was reduced to £0.7m (2013: £0.8m).

An underlying operating loss of £504,939 was incurred in the year, £91,069 lower than in 2013, but as a result of the one-off restructuring costs the final loss was £638,935. Operating at a loss, albeit reduced, is not sustainable and the company is implementing measures to generate sales growth at higher margin to reach profitability. The Directors are confident that the company is well-positioned to achieve higher sales and a return to profitability in the medium term, notwithstanding the complexities of the business and the challenging UK retail environment.

The directors are pleased to report that, even during such a difficult year, £540,218 (2013: £616,182) cash was invested in the growers and their communities via Fairtrade premiums and the Cafédirect Producers' Foundation. Supporting Cafédirect Producers' Foundation has enabled them to also deliver programmes with growers funded by third parties.

Careful management of stock balances in the year meant that the overall stock value was reduced to £3.1m from £3.8m in 2013. This improved the company's working capital position and meant that cash balances increased to £0.9m (2013: £0.6m). The company continued to maintain a strong balance sheet in other areas with net assets of £4.8m (2013: £5.4m) and no debt.

Cafédirect plc

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

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

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

The company's performance in 2014 against most of these indicators is set out in the Business Review section.

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

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

Performance in 2014 against these indicators is set out in the 'Benefits to Growers' section below.

BENEFITS TO GROWERS

As a Fairtrade company, Cafédirect meets all the requirements laid down by the Fairtrade Labelling Organisation (FLO), including the payment of Fairtrade premiums for coffee, tea and cocoa raw materials. In 2014, Cafédirect paid Fairtrade premiums of £352,000 (2013: £436,000).

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

Since 2010 the PPP has been managed by the Cafédirect Producers' Foundation (CPF), a producer-owned charity which is overseen by trustees some of whom are themselves coffee and tea growers. Cafédirect donates money to CPF, which decides how best to use the money to run its operations and manage the PPP. Typically, grower organisations put programmes forward for approval by CPF and implement the programmes themselves. This is an important step towards the company's goal of empowering disadvantaged smallholder producers. It also more broadly supports disadvantaged smallholder communities, not just growers who supply product to Cafédirect, as programme benefits are widely shared. In 2014, Cafédirect made donations of £188,218 to CPF (2013: £180,182) to support these charitable programmes. CPF has been able to leverage Cafédirect's support for operating costs by raising additional 3rd party funds to support expanded programme activities for the benefit of farmer organizations.

Raw material purchases from grower organisations in Latin America, Africa and Asia in 2014 were as follows:

- 1,057 tonnes of coffee beans (2013: 1,349 tonnes);
- 175 tonnes of tea (2013: 165 tonnes); and
- 46 tonnes of cocoa beans (2013: 101 tonnes).

RISKS AND UNCERTAINTIES

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

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

- The company buys raw material commodities (coffee, tea and cocoa) from small and disadvantaged growers, often located in remote and under-developed regions of the world. The market prices of these commodities are quoted on international commodity exchanges. Any increases or volatility in prices or shortages in supply can affect the company's performance. The company mitigates this risk by holding appropriate levels of stock in the supply chain;
- The company outsources the processing and packing of its products to third party suppliers. Any issues that these suppliers encounter could disrupt supply and affect the company's performance. To mitigate this risk the company takes out business interruption insurance, ensures that suppliers have contingency plans in place and identifies alternative supply options;
- The company is exposed to currency movements in that it buys most of its raw materials in US dollars, pays for its processing of freeze-dried coffee in Euros and sells most of its finished products in pounds sterling. The company uses foreign exchange forward contracts to mitigate this risk as set out in note 25 to the accounts;
- A significant proportion of the company's revenues are derived from the UK supermarkets and an out-of-home distributor, and therefore inevitably come from a relatively small number of customers. The company mitigates this risk by developing sales in other sectors, such as out-of-home wholesalers and international, and taking out credit insurance where appropriate; and
- Increase in aggressive pricing and discounting by competitors as they respond to the squeeze on UK household incomes can impact the company's sales volumes and market share. To mitigate this risk the company continually reviews its overall competitiveness in the market, incurs appropriate levels of promotional spend and focuses on promoting the distinctive elements of its brand.
- The company operates extensively in foreign currencies. As a result, the company enters into foreign currency forward contracts when considered appropriate. At 31 December 2014 a proportion of the company's future currency requirements were covered by such contracts. As required by FRS 25 the fair value of the exchange rate risk hedge has been disclosed in note 25 to the accounts.

By order of the Board



Jeff Halliwell
Chair

15 April 2015

Cafédirect plc

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

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

RESULTS AND DIVIDENDS

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

Taking into account the company's results and Gold Standard, as well as an assessment of the company's current risk profile and future plans, the directors are not recommending the payment of a dividend (2013: 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:

	2014 No. shares	2013 No. shares
Andrew Ethuru	-	-
Álvaro Gómez	-	-
Belinda Gooding	-	-
Jeff Halliwell	1,000	1,000
Stefan Harpe	-	-
John Shaw	-	-
John Steel	-	-

SUBSTANTIAL SHAREHOLDINGS

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

	No. of Ordinary shares	% of total
Oikocredit, Ecumenical Development Co-Operative Society, U.A.	1,666,667	19.9%
Oxfam Activities Limited	903,000	10.8%
Cafédirect Producers Limited	460,600	5.5%
Rathbone Nominees Limited	310,650	3.7%

ANALYSIS OF ORDINARY SHAREHOLDERS AT 31 DECEMBER 2014

Number of shares	Number of shareholders	% of total shareholders	Number of shares	% of total shares
1 – 500	2,459	56.7	986,400	11.8
501 – 1,000	1,073	24.7	1,005,720	12.0
1,001 – 5,000	718	16.5	1,716,150	20.4
5,001 – 10,000	55	1.3	412,690	4.9
10,001 and over	36	0.8	4,272,597	50.9
Total	4,341	100.0	8,393,557	100.0

Cafédirect plc

DIRECTORS' REPORT

GUARDIANS' SHARE

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

POLITICAL AND CHARITABLE DONATIONS

During the year the company made donations of £188,218 to Cafédirect Producers' Foundation (2013: £180,182). The company made no political donations during the year.

EMPLOYEES

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

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

Share Incentive Plan

There were no awards made during the year.

Pensions

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

Healthcare

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

PAYMENT OF SUPPLIERS

As part of the company's Fairtrade commitment, in addition to ensuring that growers have access to necessary pre-finance, the company aims to pay the balance of money owed within three working days of receipt of invoice, supported by a bill of lading. For all other purchases, it is the company's policy to agree payment terms with suppliers when negotiating business transactions and to pay suppliers in accordance with contractual or other legal obligations. Trade creditors at 31 December 2014 represented 29 days (2013: 23 days) of annual purchases.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

STRATEGIC REPORT

In accordance with section 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.

Cafédirect plc

DIRECTORS' REPORT

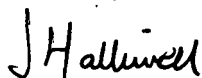
GOING CONCERN

As detailed in the strategic review, the company incurred a loss after tax for the year of £656,809. The directors have reviewed the company's cash flow forecasts for 2014 and 2015 having taken into account those measures set out in the business review to return the company to profitability. At the balance sheet date the company had cash at bank of £0.9 million and a secured overdraft facility of £1 million. Having reviewed the forecasts, the level of available funding and the current trading conditions, the directors confirm that they have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Accordingly, the going concern basis has been adopted in the preparation of the accounts.

AUDITOR

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

By order of the Board



Jeff Halliwell
Chair

15 April 2015

Cafédirect plc

CORPORATE GOVERNANCE

CODE OF BEST PRACTICE

The Board recognises that the UK Corporate Governance Code, published by the Financial Reporting Council in September 2014, represents best practice for public companies and is committed to working towards compliance with the code in a manner that is appropriate to the company's size and structure.

THE BOARD

At 31 December 2014, the Board consisted of:

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

Each year, one third of the eligible directors retire, in rotation, at the Annual General Meeting in accordance with the company's Articles of Association. Accordingly, Andrew Ethuru and John Steel retire. Andrew will not be seeking re-election and Cafédirect Producers Limited will be nominating one new Producer director. John, being eligible, offers himself for re-election. The selection of new directors is delegated to the Nominations and Remuneration Committee, which makes recommendations to the Board. Cafédirect Producers Limited and the Guardian Share Company Limited nominate the Producer directors and the Guardians nominee director respectively.

THE DIRECTORS

EXECUTIVE DIRECTORS

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

NON EXECUTIVE DIRECTORS

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

Consumer director:

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

Guardians nominee director:

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

Cafédirect plc

CORPORATE GOVERNANCE

NON EXECUTIVE DIRECTORS (CONT.)

Producer directors:

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

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

Director nominated by Oikocredit:

Stefan Harpe was appointed a director and a member of the company's Audit Committee in 2011. Stefan is Manager – Equity Investments for Oikocredit. He is responsible for Oikocredit's 57 million Euro equity investments portfolio. He joined Oikocredit in 2005 from the AfriCap Microfinance Fund, based in Senegal, where he was the founding Manager.

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

DIRECTORS' REMUNERATION

The Board has established a Nominations and Remunerations Committee, consisting entirely of non-executive directors. Details of each director's remuneration are set out on page 14.

The arrangements for determining the pay of executive directors (which are included in the report by the Nominations and Remuneration Committee) will be an item on the agenda of the company's Annual General Meeting in 2015.

SHAREHOLDER INFORMATION

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

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

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

SHAREHOLDER INFORMATION (CONT.)

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

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INTERNAL CONTROL

The directors have responsibility for the company's system of internal control and for reviewing its effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The directors confirm that the process for identifying, evaluating and managing the significant risks faced by the company is in accordance with the FRC's Internal Control: Guidance to Directors (previously known as the 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, through the Audit Committee, has reviewed the effectiveness of the company's system of internal control during the period.



John Shaw
Director
15 April 2015

REPORT OF THE AUDIT COMMITTEE ON BEHALF OF THE BOARD

Committee members during the year have been:

John Shaw (Chair)

Stefan Harpe

Rachel Johnson provided support and information to the Committee during the year in her capacity as Head of Finance. In keeping with good practice Rachel is not formally a member of the Committee. This means that the ongoing membership of the Committee is two people, which is considered adequate for a company of this size and scale and is in accordance with the terms of reference for the Committee agreed by the Board. Members have considerable experience of financial reporting and of risk management.

The purpose of the Audit Committee is to establish formal and transparent arrangements regarding financial reporting and internal control principles and to maintain an appropriate relationship with the company's auditors. The Committee met three times during the year and again in March 2015, which included reviewing the 2014 accounts and audit findings. The Chair of the Committee also met regularly with the Head of Finance. The key areas of activity included:

- Monitoring the integrity of the financial statements
- Reviewing the company's control environment in the light of the key findings from the audit
- Leading the Board's oversight of the risk register
- Working with the external auditors and monitoring the ongoing audit, legal and banking requirements of the company, including providing input to the audit plan
- Reviewing foreign exchange and coffee price hedging arrangements, credit insurance arrangements and proposals to change the Finance IT system

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

We have reported over the past two years that recovery of outstanding VAT refunds in Spain was proving problematic. Efforts have continued to recover this and our tax advisers at Baker Tilly have continued to assure us that the prospects of recovery for all outstanding amounts were good. At the time of concluding this report an amount of £54,000 remained outstanding.

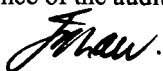
The company maintains a comprehensive risk register, which was reviewed in detail and updated by the executive team during the year. The outcome of that review was considered by the Audit Committee and by the Board in September 2014. We are satisfied that the approach taken is appropriate and that the issues with the highest risk rating were the right issues for the organisation to be focussing on, with appropriate actions were being progressed to reduce the likelihood of the risks materialising and mitigating the impact if they do. The key risks and the approach to mitigation are set out in the Strategic Report.

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

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

John Shaw

Chair – Audit Committee



15 April 2015

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

Committee members during the year have been:

Belinda Gooding
Andrew Ethuru
Jeff Halliwell

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

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

The Committee met formally three times in 2014.

NOMINATIONS - KEY ACTIVITIES

Objective:

Together with the Audit Committee, the committee carried out a Board Effectiveness Review. The purpose of the review was to ensure that all Board members were working effectively and ensure skills, knowledge, experience and mindset were aligned with the strategy. At the same time a Chair Effectiveness Review was also carried out to assess the performance and impact of the Chair during his first year of appointment.

Outcome:

All board members and the executive team completed the Board Effectiveness Review. The overall consensus was that the Board was performing well, with a strong focus on strategic development. The feedback from the Chair Effectiveness Review, which was also completed by the executive team and all Board members, except Jeff Halliwell, Chairman, highlighted the fact that Jeff Halliwell had quickly established himself in the role of Chair and that he managed to ensure that all board members contributed fully to the meetings.

Objective:

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

Outcome:

Succession plans for Producer Directors were developed in conjunction with the Cafédirect Producers' Foundation. It is anticipated that both current Producer Directors will retire in the middle of 2015. Cafédirect Producers Limited ("CPL") manages the nominations process and two candidates were elected at the CPL AGM in October 2014. A structured induction process will be introduced after the nominations are approved by the Cafédirect Board in April 2015.

REMUNERATION - KEY ACTIVITIES

Objective:

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

Outcome:

The policy was reviewed during 2014. In summary, the company looks for employees who are socially motivated, as well as having the necessary skills and experience to run and grow the business successfully in a very competitive environment. A number of different factors are taken into account when determining remuneration. These include London based salary differentials, charity and FMCG industries and specific experience and skill requirements. As a result, the market range is fairly broad.

Objective:

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

Outcome:

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

Objective:

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

Outcome:

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

Objective:

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

Outcome:

The pension policy remains the same, namely to offer an ethically screened fund choice to employees. The company's default pension fund is the Friends Life Stewardship Fund. The company contribution is 9% of basic salary subject to a minimum employee contribution of 1%. A review was undertaken and it was determined that the scheme continues to perform when compared with alternative schemes in its sector.

During 2014 the financial advisory service and administrator of the pension scheme, Baker Tilly was transferred to Arthur J Gallagher. There has been no impact to service or account management.

Executive Directors

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

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

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

CHAIR AND NON-EXECUTIVE DIRECTORS' FEES

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

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

The fees for non-executive directors continued at the same level as 2013.

DIRECTORS' REMUNERATION

For the year ended 31 December 2014:	Fees £	Salary £	Pension contribs £	Total £
Jeff Halliwell (Chair)	10,000	-	-	10,000
Andrew Ethuru	6,000	-	-	6,000
Alvaro Gomez	5,000	-	-	5,000
Belinda Gooding	6,000	-	-	6,000
Stefan Harpe	-	-	-	-
John Steel (Chief Executive)	-	120,000	10,800	130,800
John Shaw	6,000	-	-	6,000
	33,000	120,000	10,800	163,800

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

Stefan Harpe has waived his fees.

DIRECTORS' ATTENDANCE AT MEETINGS

For the year ended 31 December 2014:	Full Board Meetings	Remuneration Committee	Audit Committee
Jeff Halliwell (Chair)	4	3	-
Andrew Ethuru	4	3	-
Alvaro Gomez	4	-	-
Belinda Gooding	4	3	1
Stefan Harpe	4	-	3
John Steel (Chief Executive)	4	3	1
John Shaw	4	-	3



Belinda Gooding
Chair – Nominations and Remuneration Committee

15 April 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAFÉDIRECT PLC

We have audited the financial statements on pages 16 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Baker Tilly UK Audit LLP

EUAN BANKS (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London EC4A 4AB

16 April 2015

Cafédirect plc
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2014

	Notes	2014 £	2013 £
TURNOVER	1	11,848,524	12,750,829
Cost of sales	2	(9,320,234)	(9,906,034)
Gross profit		<u>2,528,290</u>	<u>2,844,795</u>
Administration expenses	3	(2,845,011)	(3,260,621)
Restructuring costs		(133,996)	-
Donation to Cafédirect Producers' Foundation	4	(188,218)	(180,182)
OPERATING LOSS		<u>(638,935)</u>	<u>(596,008)</u>
Investment income	5	4,220	1,608
Interest payable	6	(3,134)	(307)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	7	<u>(637,849)</u>	<u>(594,707)</u>
Taxation	9	(18,960)	(9,668)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	19	<u><u>(656,809)</u></u>	<u><u>(604,375)</u></u>

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

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

Cafédirect plc

BALANCE SHEET

31 December 2014

Company Registration No. SC141496

	Notes	2014 £	2013 £
FIXED ASSETS			
Intangible assets	10	37,578	-
Tangible assets	11	219,486	83,069
		<u>257,064</u>	<u>83,069</u>
CURRENT ASSETS			
Stocks	12	3,107,195	3,784,994
Debtors	13	2,563,594	2,570,521
Cash at bank and in hand		920,332	597,012
		<u>6,591,121</u>	<u>6,952,527</u>
CREDITORS			
Amounts falling due within one year	14	(2,049,007)	(1,589,931)
Provisions	15	(10,322)	-
		<u>4,531,792</u>	<u>5,362,596</u>
NET CURRENT ASSETS			
		<u>4,788,856</u>	<u>5,445,665</u>
NET ASSETS			
		<u>4,788,856</u>	<u>5,445,665</u>
CAPITAL AND RESERVES			
Called up share capital	17	2,098,389	2,098,389
Share premium account	18	4,109,856	4,109,856
Profit and loss account	19	(1,419,389)	(762,580)
		<u>4,788,856</u>	<u>5,445,665</u>
EQUITY SHAREHOLDERS' FUNDS	20	<u>4,788,856</u>	<u>5,445,665</u>

The financial statements on pages 16 to 30 were approved by the Board of directors and authorised for issue on 15 April 2015 and signed on their behalf by:



John Shaw
Director

Cafédirect plc
CASH FLOW STATEMENT
for the year ended 31 December 2014

	<i>Notes</i>	2014 £	2013 £
Cash inflow/(outflow) from operating activities	21a	576,195	(409,530)
Returns on investments and servicing of finance	21b	1,086	1,301
Capital expenditure and financial investment	21b	(253,961)	(65,025)
INCREASE/(DECREASE) IN CASH IN THE PERIOD	21c	<u>323,320</u>	<u>(473,254)</u>

Cafédirect plc

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

GOING CONCERN

The going concern basis has been adopted in the preparation of the accounts (see page 6 of the Directors' Report).

TANGIBLE FIXED ASSETS

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

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

PURCHASED GOODWILL

Goodwill representing the excess of the consideration for acquired trade and assets, compared with the fair value of net assets acquired is capitalised and written off over 5 years as in the opinion of the directors this represents the period over which the goodwill is expected to give rise to economic benefits. Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

STOCKS AND WORK IN PROGRESS

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

FOREIGN CURRENCIES

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

RETIREMENT BENEFITS

The company operates a defined contribution scheme where the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

DEFERRED TAXATION

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

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

LEASED ASSETS AND OBLIGATIONS

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

TURNOVER

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

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2014 £	2013 £
By geographical market:		
United Kingdom	11,017,838	11,743,671
Overseas sales	830,686	1,007,158
	<u>11,848,524</u>	<u>12,750,829</u>
By product group:		
Coffee	9,992,062	10,976,671
Tea	1,277,709	1,109,976
Hot chocolate	528,659	641,689
Ancillaries	50,094	22,493
	<u>11,848,524</u>	<u>12,750,829</u>

2 COST OF SALES INCLUDING PREMIUMS PAID TO PRODUCER ORGANISATIONS

	2014 £	2013 £
Opening stock as at start of year	3,784,994	4,236,696
Purchases	8,290,844	9,018,630
Premiums	351,591	435,702
Closing stock as at end of year	(3,107,195)	(3,784,994)
	<u>9,320,234</u>	<u>9,906,034</u>

3 ADMINISTRATION EXPENSES

	2014 £	2013 £
Staff costs (see note 8)	1,264,340	1,587,628
Marketing costs	668,466	775,838
Property-related costs	129,454	133,239
Depreciation	75,002	64,553
Amortisation	4,963	-
Export development costs	43,043	54,602
Other administrative expenses	659,743	644,761
	<u>2,845,011</u>	<u>3,260,621</u>

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

4 CAFÉDIRECT PRODUCERS' FOUNDATION (CPF)

During 2014 the company made donations to CPF of £188,218 in the year (2013: £180,182).

5 INVESTMENT INCOME

	2014 £	2013 £
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Bank interest receivable	4,220	1,608
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6 INTEREST PAYABLE

	2014 £	2013 £
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On other loans	3,134	307
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7 LOSS ON ORDINARY ACTIVITIES

	2014 £	2013 £
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Loss on ordinary activities before taxation is stated after

Charging / (crediting):

Amortisation of goodwill:

Depreciation and amounts written off tangible fixed assets:

Charge for the period – owned assets	75,003	64,553
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Loss on disposal of tangible fixed assets	-	16
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Foreign Exchange losses/(gains)	79,512	(52,679)
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Operating lease rentals:

Plant and machinery	2,016	2,016
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Land & buildings	90,451	90,451
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Auditor's remuneration – statutory audit	28,500	28,500
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Auditor's remuneration - non-audit services:

Other services relating to taxation	3,500	3,500
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All other services	20,500	11,460
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8 EMPLOYEES

	2014 No.	2013 No.
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The average monthly number of persons (including executive directors) employed by the company during the period was:

Sales and marketing	12	14
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Operations and administration	15	19
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27	33
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Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

8	EMPLOYEES (Cont'd)	2014 £	2013 £
	Staff costs for above persons:		
	Wages and salaries	1,069,463	1,332,744
	Social security costs	116,936	148,669
	Other pension costs	77,941	106,215
		<u>1,264,340</u>	<u>1,587,628</u>
		2014 £	2013 £
	DIRECTORS' REMUNERATION		
	Emoluments	153,000	153,000
	Amounts paid to defined contribution pension schemes	10,800	10,800
	Total emoluments	<u>163,800</u>	<u>163,800</u>
		2014 No.	2013 No.
	The number of directors to whom relevant benefits were accruing under defined contribution pension schemes was:	1	1
		2014 £	2013 £
	Amounts paid in respect of highest paid director:		
	Emoluments (including benefits in kind)	120,000	120,000
	Amounts paid to defined contribution pension schemes	10,800	10,800
	Total emoluments	<u>130,800</u>	<u>130,800</u>

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

9	TAXATION	2014 £	2013 £
	Current tax:		
	UK corporation tax at 21.49% (2013: 23.25%)	-	-
	Total current tax	-	-
	Deferred tax:		
	Origination and reversal of timing differences	18,058	7,179
	Effect of increased tax rate on opening liability	902	2,489
	Total deferred tax	18,960	9,668
	TOTAL TAXATION	18,960	9,668

Factors affecting current tax charge for the period:

	2014 £	2013 £
The tax assessed for the period is higher than the average standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:		
Loss on ordinary activities before tax	(637,850)	(594,707)
Loss on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	(137,074)	(138,249)
Effects of:		
Fixed asset differences	-	880
Expenses not deductible for tax purposes	1,016	230
Depreciation for period in excess of capital allowances	(27,255)	(8,066)
Other timing differences	(1,662)	120
Unrelieved tax losses arising in the period	123,446	103,199
Unutilised charitable donations	41,529	41,886
Current tax charge for the period	-	-

At 31 December 2014, the company had estimated tax trading losses of £1,902,503 (2013: £1,328,152) which, subject to the agreement of the HM Revenue & Customs, are available to carry forward against future profits of the same trade. No deferred tax asset has been recognised on these losses as timings of future profits are uncertain.

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

10	GOODWILL ON ACQUISITION OF TRADE	2014 £	2013 £
	Opening net book value	-	-
	Additions	42,541	-
	Amortisation	(4,963)	-
	Closing net book value	<u>37,578</u>	<u>-</u>

In May 2014 the company acquired the trade and assets of Kopi Limited for £50,000 initial consideration and deferred consideration estimated at £27,541 by management based on expected revenues.

£35,000 of fixed assets has been recognised in relation to this acquisition with the remaining balance of £42,541 capitalised as goodwill.

	Initial book value £	Fair value adjustment £	£
Net assets acquired:			
Fixed assets	35,000	-	35,000
Goodwill			42,541
Discharged by:			
Cash paid			50,000
Deferred consideration			27,541
			<u>77,541</u>

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

11	TANGIBLE FIXED ASSETS	Short leasehold improvements £	Furniture, fixtures & fittings £	Computer equipment £	Total £
	Cost:				
	1 January 2014	146,125	103,065	357,516	606,706
	Additions	2,547	195,725	13,148	211,420
	Disposals	-	(3,591)	(10,212)	(13,803)
	31 December 2014	148,672	295,199	360,452	804,323
	Depreciation:				
	1 January 2014	145,188	83,589	294,860	523,637
	Charged in the period	468	44,538	29,997	75,003
	Disposals	-	(3,591)	(10,212)	(13,803)
	31 December 2014	145,656	124,536	314,645	584,837
	Net book value:				
	31 December 2014	3,016	170,663	45,807	219,486
	31 December 2013	937	19,476	62,656	83,069
12	STOCKS			2014 £	2013 £
	Raw materials and consumables			1,504,459	2,154,374
	Work in progress			838,233	1,109,162
	Finished goods and goods for resale			764,503	521,458
				3,107,195	3,784,994
13	DEBTORS			2014 £	2013 £
	Due within one year:				
	Trade debtors			2,165,540	2,037,948
	Other debtors			307,481	395,738
	Prepayments and accrued income			90,573	136,835
				2,563,594	2,570,521

There is no balance included in other debtors in relation to deferred tax (2013: £18,960). See note 15.

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

14	CREDITORS: Amounts falling due within one year	2014 £	2013 £
	Trade creditors	806,894	688,913
	Other taxation and social security	40,376	46,399
	Other creditors	532,969	204,060
	Accruals and deferred income	668,768	650,559
		<u>2,049,007</u>	<u>1,589,931</u>

15	PROVISIONS	2014 £	2013 £
	Deferred consideration on purchase of Kopi	10,322	-
		<u>10,322</u>	<u>-</u>

The deferred consideration arising on the purchase of Kopi Limited will all be paid during 2015.

16	DEFERRED TAXATION	Deferred taxation £
	Balance at 1 January 2014 – asset included in other debtors (See note 13)	(18,960)
	Transfer to profit and loss account	18,960
	Balance at 31 December 2014	<u>-</u>

	2014 £	2013 £
Provision for deferred tax has been made as follows:		
Accelerated capital allowances	10,560	(15,542)
Other timing differences	(1,710)	(3,418)
Losses and other deduction	(8,850)	-
Asset at end of year	<u>-</u>	<u>(18,960)</u>

17	SHARE CAPITAL	2014 £	2013 £
	Authorised:		
	14,999,999 Ordinary shares of 25p each	<u>3,750,000</u>	<u>3,750,000</u>
	Allotted and called up:		
	Balance at start of year	<u>2,098,389</u>	<u>2,098,389</u>
	8,393,557 Ordinary shares of 25p each	<u>2,098,389</u>	<u>2,098,389</u>

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

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.

Share Incentive Plan

During 2005, 35,400 Ordinary shares of 25p each were issued under the company's Share Incentive Plan to employees based on their length of service. At 31 December 2014 all 35,400 remained unallocated and employees held no shares under this Plan (2013: 4,500).

18	SHARE PREMIUM ACCOUNT	2014 £	2013 £
	Balance at end of year	4,109,856	4,109,856
19	PROFIT AND LOSS ACCOUNT	2014 £	2013 £
	Balance at start of year	(762,580)	(158,205)
	Loss for the year	(656,809)	(604,375)
	Balance at end of year	(1,419,389)	(762,580)
20	SHAREHOLDERS' FUNDS	2014 £	2013 £
	Balance at start of year	5,445,665	6,050,040
	Loss for the year	(656,809)	(604,375)
	Balance at end of year	4,788,856	5,445,665

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

21	CASH FLOWS	2014 £	2013 £
a	Reconciliation of operating profit to net cash outflow from operating activities		
	Operating loss	(638,935)	(596,008)
	Depreciation	75,003	64,553
	Amortisation	4,963	-
	Loss on disposal of tangible fixed assets	-	16
	Decrease in stocks	677,799	451,702
	(Increase)/Decrease in debtors	(12,033)	47,223
	Increase/(Decrease) in creditors	469,398	(377,016)
	Net cash inflow/(outflow) from operating activities	<u>576,195</u>	<u>(409,530)</u>
b	Analysis of cash flows for headings netted in the cash flow	2014 £	2013 £
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	4,220	1,608
	Interest paid	(3,134)	(307)
	NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>1,086</u>	<u>1,301</u>
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Purchase of intangible fixed assets	(42,541)	-
	Purchase of tangible fixed assets	(211,420)	(65,025)
		<u>(253,961)</u>	<u>(65,025)</u>
c	Analysis of net funds	At 1 January 2014 £	Cash flow £
	Cash in hand, at bank	<u>597,012</u>	<u>920,332</u>

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

22 COMMITMENTS UNDER OPERATING LEASES

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

	2014 £	2013 £
Land and buildings expiring in the second to fifth year	90,451	90,451
Other expiring in the first year	1,512	-
expiring in the second to fifth year	-	2,016
	<u>91,963</u>	<u>92,467</u>

23 PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £77,941 (2013: £106,215). Contributions totalling £8,547 (2013: £11,278) were payable to the fund at the year-end and are included in creditors.

24 COMMITMENTS

At 31 December 2014 the company was committed to purchase £1.3 million (2013: £1.4 million) of coffee beans and £nil (2013: £0.02 million) of tea.

25 FOREIGN EXCHANGE RISK MANAGEMENT

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

At 31 December 2014 the company had in place forward exchange contracts to buy US\$3.5 million (2013: US\$3.15 million) at an average exchange rate of US\$1.68=£1 (2013: US\$1.59=£), and €0 million (2013: €0.4 million at an average exchange rate of €1.18=£). These forward exchange contracts were taken out to mitigate the company's foreign currency risks on its forecast coffee, tea and cocoa raw material purchases over the next 12 months. As a result of these arrangements, at 31 December 2014 the company had an unrealised gain of £148,601 in respect of the US dollar contracts (2013: unrealised loss of £84,000) and no unrealised gain or loss in respect of the Euro contracts (2013: unrealised loss of £6,000). These figures represent the difference between the spot rate at the balance sheet date and the average hedge rates on contracts in place at the balance sheet date.

Cafédirect plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

26	RELATED PARTY TRANSACTIONS	2014 £	2013 £
	The following are included in the financial statements:		
	Debtor balances with related parties:		
	Trade debtors	29,281	26,152
	Creditor balances with related parties:		
	Trade creditors	-	50,000
		<u>-</u>	<u>50,000</u>
	Transactions with related parties:		
	Sale of goods	302,470	295,628
	Services provided to the company	75,000	76,287
	Services provided by the company	44,400	47,089
	Charitable donations made to Cafédirect Producers' Foundation	188,218	180,182
		<u>188,218</u>	<u>180,182</u>

The related parties in 2014 comprise the company's remaining founder shareholder, namely Oxfam Activities Ltd, as well as Cafédirect Producers Ltd, its wholly owned subsidiary Cafédirect Producers' Foundation and Oikocredit Ecumenical Development Co-Operative Society, U.A. All transactions with related parties are on arms' length terms.