

Company number: 06959165

Charity number: 1133218

Producers Direct

Report and financial statements

For the year ended 31 December 2018



Producers Direct

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Reference and administrative information

For the year ended 31 December 2018

Company number 06959165

Charity number 1133218

Registered office and operational address 21 Whiston Road, London, E2 8EX, UK

Country of registration England & Wales

Country of incorporation United Kingdom

Previous Names Producers Direct legally changed its name from Cafédirect Producers' Foundation in December 2017.

Trustees Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Lebi Gabriel Hudson	Chair (from 30 April 2018)
Christele Delbe	Vice Chair (from 30 April 2018)
Pauline Boit	
Lenin Tocto Minga	
Penny Newman	
Anthony Wainaina	
Nimrod Wambette	(Resigned 30 April 2018)

Company Secretary Tim Morgan

Key management personnel Claire Rhodes Chief Executive Officer

Bankers Triodos Bank
Deanery Road
Bristol
BS1 5AS

Barclays Bank
Leicester
LE87 2BB

Solicitors Bates Wells & Braithwaite LLP
2-6 Cannon Street
London
EC4M 6YH

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Weil Gotshal & Manges
110 Getter Lane
London
EC4M 6YH

Auditor

Sayer Vincent LLP
Chartered Accountants and Statutory Auditor
Invicta House
108-114 Golden Lane
LONDON
EC1Y 0TL

Producers Direct

Trustees' annual report

For the year ended 31 December 2018

The Trustees present their report and the audited financial statements for the year ended 31 December 2018.

Reference and administrative information set out on pages 1 & 2 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

Objectives and activities

Purposes and aims

Producers Direct is a UK-registered charity, established in 2009, that works with smallholder tea, coffee and cocoa farmer organisations in Africa and Latin America. Producers Direct's objects, as outlined in its Articles of Association are to:

- Prevent and relieve poverty particularly in disadvantaged communities in developing countries;
- Advance or assist in advancing education; and
- Promote sustainable development by:
 - The preservation, conservation and the protection of the environment and the prudent use of natural resources;
 - The promotion of sustainable means of achieving economic growth and regeneration.

Throughout 2018, Producers Direct has operated in accordance with its vision, mission and strategic objectives. These are stated as follows:

Producers Direct's vision is of thriving smallholder communities, where each smallholder can realise their own vision.

Producers Direct's mission is to work with smallholders in Latin America and Africa to develop innovative solutions to the challenges they face (within the context of their farming and business practices).

Producers Direct's Strategic Objectives are to:

1. Pioneer innovative, effective programmes that strengthen producers' capacity, education and resilience.
2. Ensure Producers Direct is truly producer-led in governance and in its overall model.
3. Mobilise diverse resources to achieve sustainability for producer partners and for Producers Direct.

Approach and Model

Producers Direct delivers support services to smallholder farmers across Africa and Latin America. Producers Direct's peer-to-peer model places producer leadership at the centre of our programme delivery, governance and strategy. Producers Direct's programmes are delivered through an international network of Centres of Excellence. Each Centre of Excellence is farmer-run and hosted by a smallholder producer organization. The aim is for a Centre of Excellence to serve as a one-stop-shop, providing a complete bundle of services to smallholder producers as follows:

1. Farmer-led training: In partnership with smallholder producer organisations, Producer Direct runs a peer-to-peer training model at each Centre of Excellence that offers farmers: 1) access to a network of trained Farmer Promoters and 2) relevant and affordable in-person training on demonstration sites/farms, where farmers can learn and trial innovative farming practices. In-person training is supported by multi-media digital tools including Wefarm, which amplifies reach and impact to a larger number of smallholders. (See page 11-12 for further details on Wefarm). Farmer-led training services specialise in at least one of the following areas:

- Micro-enterprise development (providing alternative household incomes),
- Crop quality and productivity, and
- Environmental sustainability and climate change adaptation.

2. Access to finance: A key barrier to farmers trialling techniques that they have learnt about during trainings at the Centre of Excellence is their lack of access to the finance that may be required to trial the techniques. For example, funds to trial new fertilising techniques, including to support organic farming, or to develop a new micro-enterprise that increases household incomes, such as fish farming or beekeeping. To support smallholder farmers overcome this barrier, Producers Direct is partnering with producer organisations who host the Centres of Excellence, with producer organisations offering micro-loans to farmers to support them to access the funds they need to make on-farm investments.

3. Market Access: Smallholder farmers also face the challenge of accessing markets for their products. To support market access, Producers Direct has been supporting the development of digital tools that enable farmers to 1) increase market visibility, 2) trace products and payments and 3) improve access and links to buyers. Producers Direct is also supporting the development of youth leader networks at each Centre of Excellence, with youth leaders responsible for managing post-harvest logistics and supporting the structuring of currently unstructured value chains. Youth are supporting farmers to aggregate and negotiate better prices for a range of diversification crops they might be growing on their farm, such as honey, avocado pineapple and banana, and therefore increasing farmers' access to untapped markets and buyers.

4. Farmer-led Data: In order to track the progress of their activities, farmers need access to the relevant data. Producers Direct is pioneering a farmer-led data system that aims to change farmers relationship to information: empowering them to be active participants in the collection and analysis of data to assist them to manage their farms as sustainable and profitable small-

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scale businesses. This includes both analogue and digital tools to support data collection, management and analysis.

The Trustees review the aims, objectives and activities of the charity each year. This report looks at what the charity has achieved and the outcomes of its work in the reporting period. The Trustees report the success of each key activity and the benefits the charity has brought to those groups of people that it is set up to help. The review also helps the Trustees ensure the charity's aims, objectives and activities remained focused on its stated purposes.

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives that have been set.

In order to enhance the public benefits realised, Producers Direct seeks to:

1. Engage and work with a broad range of individuals and community groups within smallholder farming communities in which activities are undertaken, for example by funding Centres of Excellence which train smallholder farmers as trainers, and who then share and replicate their knowledge with a broad range of smallholder farmers within their community and neighbouring communities.
2. Ensure that information and educational materials produced through Producers Direct's activities are widely distributed through existing networks of smallholder producers, as well as Producers Direct's development partners who work at national and international levels.
3. Developing programmes that will engage and support a broad range of smallholder farmers and producers beyond those producer organisations who supply to Cafédirect plc. Training services offered by the Centres of Excellence and Wefarm are accessible and used by a broad network of smallholder farmers.

Strategies for achieving our aims and objectives

Producers Direct's main strategies for achieving its aims and objectives are as follows:

- Investment in producer leadership – in the governance of Producers Direct and in the delivering of support services through the Centres of Excellence. This includes supporting and training a diverse network of lead farmers at each Centre of Excellence, including women and youth leaders.
- Delivery of peer-to-peer support services through a blend of in-person and digital tools and approaches that increase rates of adoption and maximise impact.

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- Offering a bundle of support services to help farmers tackle the range of livelihood challenges that they face – from learning about a new farming technique through to ultimately improving their income. This bundle of support services includes Farmer-led Training; Access to Finance; Access to Markets and Farmer-led Data for Decision Making.

Activities and services delivered during 2018

The charity's main activities and who it tries to help are described below. All its charitable activities focus on improving the livelihoods of smallholder producers, including their capacity and resilience, and are undertaken to further Producers Direct's charitable purposes for the public benefit.

East Africa Programme Activities

During 2018, East Africa programme activities were delivered by Producers Direct's East Africa Programme team, based in Nairobi, in partnership with East Africa-based producer organisations in Kenya, Tanzania and Uganda. Total 2018 East Africa programme expenditure exceeded £380,000. 2018 donors for Africa programme activities included the Global Resilience Partnership (a consortium of donor partners including USAID, the Swedish Government and DFID), World Bank, the GHR Foundation / OpenIDEO and also funding from producer partner organisations to support Producers Direct's market access work.

Farmer-led training: As outlined above, the core of Producer Direct's model is its Centre of Excellence network. Each Centre of Excellence is farmer-run and hosted by a smallholder producer organization. To-date, four Centres of Excellence and associated farmer-led training networks have been established in East Africa – two in Uganda, one in Tanzania and one in Kenya. The establishment of these Centres of Excellences was funded principally through a multi-year £600,600 grant from Comic Relief, that commenced in April 2013 and closed in early 2018. Farmer-led trainings at the Centres of Excellence focus on scaling-up knowledge and innovations sourced from smallholder farmers – with emphasis on low-cost innovations that are easy to implement and can realise significant benefits to farmers' livelihoods. Examples include home-made beehives, vertical kitchen gardens and pest control solutions. Thematically, Centres of Excellence offer trainings to support smallholder farmers improve the quality of their crops; diversify their livelihoods through micro-enterprise development and enhance their resilience to climate change. Farmer Promoter networks support in-person knowledge sharing, and in partnership with Wefarm, farmers are enabled to further access and share knowledge through SMS.

During 2018, four producer organisations served as hosts of the East African Centres of Excellence: Sireet – Outgrowers Empowerment Programme (Kenya); Rungwe Smallholder Tea Growers Association (RSTGA) (Tanzania) and in Uganda, Ankole Coffee Cooperative Union (ACPCU) and Kayonza Tea Growers Association – with members of these producer organisations benefitting, as well as broader range of smallholders – both from across the network of smallholder producer organisations involved in Producer Direct programme activities (13 smallholder organisations across East Africa in total), but also smallholders unconnected to the

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Producer Direct network who sought to train at a Centre of Excellence and/or who accessed information digitally through Wefarm.

In total, 1,301 smallholder farmers were trained at the East African Centres of Excellence during 2018. Activities to test farmer demand to attend trainings at the Centres of Excellence were implemented throughout the year. Examples include over 100 farmers attending a dairy training at Sireet's Centre of Excellence as a result of receiving information about the training through Wefarm. Willingness to pay for these trainings was also demonstrated, building our proof regarding the Centre of Excellence's service provision model. In total, ~700 farmers (54%) either paid for trainings themselves, or were sponsored by external partners to attend farmer-led trainings. During 2018, partners including Solidaridad and Fairtrade Africa, supported farmers to attend trainings on diversification at Sireet OEP and on coffee quality improvement at ACPCU.

Access to finance: With 2017 grant funding from Comic Relief, Producers Direct partnered with smallholder producer organisations in Uganda and Kenya, and micro-finance institutions associated with each organisation (known as Savings and Credit Cooperatives, SACCOs), to enhance farmers' access to micro-loans to support them implement new practices and/or ideas for new enterprises that they have learnt about while participating in a Centre of Excellence training. i.e. micro enterprise creation, tea and coffee quality improvement and climate change adaptation innovative activities. £140,000 in micro-loans were distributed to producer organisations and their member farmers during 2017 to invest in trialling and scaling ideas. These micro-loans began to be repaid by producer organisations to Producers Direct during 2018, with a 95% loan repayment rate achieved by the end of 2018.

Access to Markets: During 2018, Producers Direct continued to benefit from the support of the Global Resilience Partnership (USAID, the Government of Sweden and DFID) and Mastercard Labs to support the pilot testing of 2Kuze. 2Kuze is a smart phone-based tool that aims to connect farmers with surplus produce to sell with local buyers. Activities to enhance smallholders' access to markets have also focused on developing youth leaders as 2Kuze agents and as the providers of post-harvest logistics services between farmers and local buyers, such as collecting the product from a farmer and delivering it to the buyer. By the close of the Global Resilience Partnership project (end June 2018), 4,072 farmers (3,000 in Kenya, 1,072 in Uganda) had been registered on 2Kuze, and over 30 youth agents engaged to support smallholders identify buyers for their products and sell their products through the 2Kuze platform. 2019 plans include the expansion of activities to support smallholders to more effectively access local and national markets for their crops, and enhanced activities with each Centre of Excellence to aggregate product for sale under the Producers Direct brand. This will include crops where value chains are currently structured, such as tea and coffee, but also investment in strengthening currently unstructured value chains, such as honey, banana, pineapple and avocado, in order to support smallholders to enhance their incomes through improved market access for a broader range of the products they are growing.

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Farmer-led Data to support on-farm management

In January 2018, Producers Direct was a winner of the [World Bank Data Innovations Fund](#), with funding of \$USD 250,00 over 18 months to support the development of our farmer-led data system in East Africa, with project partners including the International Centre for Tropical Agriculture (CIAT), Wefarm and Climate Edge – a UK-based start-up producing low-cost sensor-based on-farm weather stations. This World Bank funding will progress initial work undertaken with Global Resilience Partnership funding to develop the farmer-led data system, with the aim of supporting smallholder farmers to respond to climate risks by integrating multiple sources of data and then sharing this data summary back with farmers in formats that enable them to strengthen on-farm decision making, and more effectively respond to the climate-specific challenges they face.

With 2018 funding from the Global Resilience Partnership (GRP), activities continued to research and understand farmer data needs and, responding to these needs, design the farmer-led data system. Key activities undertaken included:

- Further farmer-led testing and iterative development of both analogue and digital versions of an on-farm record keeping tool. Youth leaders worked with 70 lead farmers across Kenya and Uganda to collect and analyse on-farm data. These lead farmers, which comprised an initial network of end users, will then be supported to train their peers on data management and scale up this capacity to neighbouring farmers. By the close of the GRP project, the record keeping prototype was fully operational at the three Centres of Excellence in Kenya and Uganda, with farmers collecting data via the paper-based logbooks.
- Based on user feedback from initial paper-based record keeping tools, a prototype digital version was developed to enable youth leaders to collect data digitally from farmers. In turn, this enabled data to be aggregated and analysed, with visual representations of the data shared back with farmers. The aim is for these data summaries to support farmers to more effectively analyse on-farm profit and loss, and subsequently, on-farm business planning. Survey data was collected from participants in the record keeping pilot, with 93% of respondents reporting they were satisfied or very satisfied with the tool. Additionally, 85% said they felt the tool would help them increase their income and productivity. We expect further iterations and updates to encourage increased adoption, use and ultimately impact on farmers' capacities to manage and optimise on-farm profits.

In parallel, an online dashboard and interface has been developed to enable producer organisations to more effectively view aggregated data trends and visualisations online. Ultimately, dashboards will support producer organisations to improve visibility on what their members' needs and requirements activities and needs, with the aim that these needs can be addressed by the support services offered by the Centres of Excellence. Throughout the first half of 2018, these data dashboards were tested with the leadership and management teams across producer partner organisations in Uganda and Kenya.

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- 2018 activities funded by the World Bank have included work with Climate Edge to install the first weather stations on selected farms at the Centres of Excellence in Kenya and Uganda. The weather stations include a variety of sensors that support data collection, including on rainfall, soil moisture and soil temperature – with the aim of building farmers' insights into how changing climatic conditions impact farm performance. This work on sensor-based data collection builds on the 2016–17 pilot funded by the Nominet Trust.

Youth Leadership Development and Agri-entrepreneurship

Global Resilience Programme (GRP) funding enabled further investment in youth leadership development across East Africa during 2018, including mobilising youth leaders to support the development and roll-out of digital tools, including 2Kuze, Wefarm and the digital tool to support farmer-led data collection. These GRP activities were conducted in close collaboration with GRP consortium partners Restless Development, Wefarm and Kijabe Environmental Volunteers (KENVO).

2018 activities funded by GRP included:

- With support from KENVO, the establishment of a network of over 140 young people who participated in and benefited from an inter-country exchange program and training in agribusiness. KENVO further trained an additional 118 young people on priority areas identified during the exchanges, including Leadership, Management, Record Keeping, and Resource Mobilization. Youth who participated in the training have demonstrated an increased interest in the agricultural sector and agribusiness specifically. An example included the Chiboni Welfare Group who, having participated in a training hosted by KENVO, reported they now look at farming as a business, not just 'farming'. The group is now using new skills, paired with access to digital tools, to diversify from tea into a range of vegetables and linking this new produce to buyers.
- Restless Development and Wefarm, working together in the Karamoja region of Uganda, tested opportunities for digital tools to work effectively with smallholder populations of low literacy levels and as a result, mobilised 835 young people to use Wefarm.

In the last quarter of 2018, Producers Direct was announced as one of the five winners of the [2018 Bridgebuilder Challenge](#) – supported by GHR Foundation and OpenIDEO. This secured funding of \$US 256,575 for YouthDirect –focused on promoting youth engagement with agriculture across Kenya, Tanzania and Uganda. The project will promote youth inclusion and participation in food value chains, incentivising young people to farm by providing access to financing, youth exchanges and training in digital tools while offering reciprocal mentoring relationships to older smallholder farmers in Kenya, Uganda and Tanzania.

Latin America Programme Activities

During 2018, the total Latin America programme expenditure was just over £126,000, principally funded by the Community Fund (previously Big Lottery Fund), with additional support from Rikolto. Programme activities were delivered by Peru-based consultants in partnership with 9 Peruvian-based producer organisations – 3 of which played lead roles in establishing and hosting Peru-based Centres of Excellence.

Farmer-led training:

To-date, Producers Direct's farmer-led training activities in Latin America have been enabled through the *Innovation by Smallholders to enhance Productivity, Incomes, Resources and Enterprise (INSPIRE)* programme, funded by the Community Fund. This grant was awarded in early 2015 for a four-year programme in Peru to improve the livelihoods of over 7,500 smallholder coffee farmers through farmer-led training services focused on improving coffee quality, developing micro-enterprises and identifying low-cost mitigations to increase climate change.

By the end of 2018, 5,367 farmers accessed Centre of Excellence services across all project regions in Peru. Of these, 1,135 farmers received in-person training on how to improve coffee quality and on-farm management, with trainings focussed on a range of low-cost on-farm interventions including organic fertilisation, product harvesting, post-harvest management, rainwater harvesting, irrigation and pest control.

Prior to 2018, activities had focussed on establishing three Centres of Excellence in Peru, setting up the training model at each Centre of Excellence and developing a leadership training programme. The three Peruvian Centres of Excellence specialise in:

- Coffee Quality improvement, hosted by Chirinos Coffee Cooperative.
- Climate Change Adaptation, hosted by Norandino Coffee Cooperative.
- Micro-enterprise diversification, hosted by Pangoa Coffee Cooperative.

Across the three Centre of Excellence, Trainers of the Trainers programmes were developed and used to train a network of 29 promoter farmers. Promoter Farmers were then supported to transform their farms into demonstration farms, in order to host farmer trainings – with over 30 demonstration sites established during 2017. To support on-farm training, training curriculums and farmer friendly training materials were developed by each Centre of Excellence across the 3 main thematic focus areas: Coffee Quality improvement; Climate Change Adaptation and Micro-enterprise diversification.

The Peruvian Centres of Excellence were launched in February 2018. Subsequent activities during 2018 included:

- Promoter Farmers continued to host trainings on their demonstration farms at each Centre of Excellence, not only for farmers situated locally but for farmers from across all project regions.

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- Scholarships were awarded for farmers across all project regions to visit the Centres of Excellence. Participating farmers who attended the trainings were then supported to return to their community and share learnings with their peers, supported by the distribution of farmer-friendly materials and training videos.

In addition to on-farm trainings, funding from the Community Fund has also supported the development of a farmer-led leadership training course, with training materials designed by a group of producer representatives selected from across Producers Direct's network of Peruvian producer partners. Following initial curriculum development work undertaken during 2017, the leadership training (School for Leaders) curricula was finalised in 2018 and tested with farmers across all project regions with 90 farmers participating in leadership training programmes to-date.

Youth Leadership Development and Agri-entrepreneurship

In May 2018, Producers Direct was awarded the Henri@Nestle challenge for Youth Agri-entrepreneurship, with the award focused on *Nurturing the Next Generation of Farmers*. This secured funding of 50,000 Swiss Francs (CHF) for Producers Direct to adapt our current training model and support farmers to take an agri-entrepreneurial approach, particularly youth farmers. Pilot activities focus on the Dominican Republic, with project planning undertaken during the second half of 2018 and implementation scheduled for early 2019.

In October 2018, Producers Direct partnered with the Latin America network of Fairtrade producers (CLAC) and Rikolto to convene a Peruvian youth leaders' forum, bringing together 33 youth leaders from across 13 coffee cooperatives in Peru to address the challenges and opportunities for youth within coffee communities. This included a visit to Chirinos' Centre of Excellence on coffee quality, and a series of workshops to identify opportunities for developing youth-led initiatives across our programmes in Peru.

Wefarm

Wefarm (www.wefarm.org) is an SMS-based farmer-to-farmer digital network, developed by Producers Direct from 2010 to 2015 in collaboration with smallholder farmer representatives. Wefarm can be accessed by smallholder farmers in remote regions using the simplest of mobile phone handsets, as well as from a smart phone, with the aim of reaching and benefiting the remotest of smallholder farmers. As outlined in Producers Direct's previous Annual Reports, Wefarm has been operating as an independent for-profit company since January 2015, with the aim of Wefarm accepting further investment to enable Wefarm to significantly scale its user numbers and impact on farmers' livelihoods. To-date, Wefarm has been very successful in doing this – something which could not have been achieved had it remained an internal project of Producers Direct. During 2018, Producers Direct continued to work with Wefarm in two main ways:

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- As a consortium partner in the Global Resilience Partnership programme, Wefarm received sub-grants from Producers Direct to support the delivery of impact targets for the Global Resilience Partnership funding. (See notes on Related Party Transactions in the Financial Statements for further information).
- Reviewing and supporting Wefarm's strategy to raise funds through the sale of its equity by approaching organisational and individual investors with a range of social and/or financial investment interests. This strategy was supported by legal advice which was carefully considered by the Producers Direct Trustees throughout. In early 2018, Wefarm completed an investment round led by True Ventures (referenced in Producers Direct's 2017 Trustees Report and Financial Statements). This meant that, at the end of 2018, Producers Direct held a 9.91 % shareholding in Wefarm. Preparations for Wefarm's Series A investment round were initiated at the end of 2018, with the funding round anticipated to complete in the first half of 2019.
- Operationally, Wefarm demonstrated strong growth during 2018 in Kenya and Uganda, and also launched in Tanzania. At the end of 2018, over 1,280,000 smallholder farmers were registered on Wefarm with month-on-month % user growth of 6.4%.

Achievements and performance during 2018

Producers Direct employs the following metrics to monitor the impact of its activities:

- Number of farmers impacted by Producers Direct activities
- Number of farmers who have received training and post-training support services through the Centres of Excellence.
- % of farmers who have diversified their on-farm enterprises as a result of receiving training at a Centre of Excellence.
- % of farmers with a new enterprise who report that it has improved incomes.
- % increase in income for farmers who have adopted additional on-farm enterprises.

By the end of 2018, the following cumulative impacts of Producers Direct work since establishment in 2009 have been achieved:

- Number of farmers and their families whose livelihood has been impacted by Producers Direct: Over one million, with 424,000 farmers and their families reached specifically in 2018.
- % of farmers who have diversified their on-farm enterprises as a result of receiving training at a Centre of Excellence: 87%

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- % of farmers with a new enterprise who report that it has improved incomes: 90%
- % increase in income for farmers who have adopted additional on-farm enterprises: 50%

At the end of 2018, Producers Direct published its Impact Report detailing achievements and impacts during 2018. Further details can be found on the Producers Direct website (www.producersdirect.org).

External factors affecting achievement

Producers Direct works principally with smallholder producer organisations located in East Africa and Latin America. Working with these vulnerable producer organisations can affect capacity to deliver on partnership agreements according to defined timelines and targets. Furthermore, many areas where these producers are located are vulnerable to natural disasters, prolonged droughts and severe livelihood shocks. During 2018, smallholder coffee and tea producers across East Africa and Latin America continued to experience and report the detrimental impacts of changing climatic conditions on their crop production.

Beneficiaries of our services

Primary beneficiaries of Producers Direct's work are smallholder farmers located across East Africa and Latin America. To deliver our activities and impact, we work with a network of 37 smallholder-owned producer organisations across Latin America and East Africa. These organisations are principally Fairtrade-certified smallholder-owned tea factories and smallholder coffee cooperatives.

Organisations we work with

In addition to our work with smallholder-owned producer organisations, Producers Direct also continues to work with a number of other organisations at international, regional and national level to support programme implementation. During 2018, strategic partners supporting programme delivery included Restless Development, Mastercard Labs, Champion Agency, Kijabe Environment Volunteers (KENVO), Wefarm, Fairtrade Foundation, Rikolto, Climate Edge and the International Centre for Tropical Agriculture (CIAT).

Financial review

As shown in Producers Direct's Financial Statements, 2018 income totalled £748,876 with funds brought forward from 2017 totalling £172,652. 2018 expenditure totalled £744,819. During 2018, Producers Direct's principal funding sources included grants and donations from private foundations, inter-governmental organisations, public limited companies, and individual donations. Producers Direct did not benefit from any income generation opportunities from its shareholding in Wefarm during 2018. Producers Direct ended the year with total balance of £176,709, of which £119,702 was restricted funds and £57,007 unrestricted funds.

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Policies for making social or programme-related investments

Overall, Producers Direct does not make social or programme related investments and therefore does not have a policy on this. To-date, Producers Direct's establishment of Wefarm in 2015 represents a one-off investment that was undertaken because Producers Direct's Trustees felt this was the best option for enabling Wefarm to continue delivering the mission of Producers Direct and where the greatest social impact could be achieved by Wefarm.

Investment policy and performance

Beyond interest received on its current account and fixed term deposit savings accounts, Producers Direct did not financially benefit from any investments during 2018. Producers Direct's shareholding in Wefarm represents Producers Direct's only other current investment. However, no financial benefit was received from Producers Direct's investment in Wefarm during 2018.

Grant making policies

Producers Direct does not openly invite applications for grants and therefore does not have a grant making policy.

Voluntary help and gifts in kind

Throughout 2018, Producers Direct benefited from *pro bono* support from legal firm, Weil, Gotshal & Manges, who have acted on behalf of Producers Direct throughout the 2016–2018 Wefarm investment rounds. Furthermore, Producers Direct was grateful for the in-kind contributions of smallholder farmers and key staff at the smallholder producer organisations who work with Producers Direct, who invested significant time without financial compensation in order to support the delivery of Producers Direct programme activities during 2018.

Principal risks and uncertainties

Producers Direct manages a risk register, which identifies major risks and ranks them in terms of their potential impact and likelihood. Trustees review major risks and their rankings quarterly, in order to satisfy themselves that adequate systems and procedures are in place to manage the risks identified. Where appropriate, risks are covered by insurance. From Producers Direct's perspective, major risks are those which may have a significant impact on its:

- Operational performance;
- Financial sustainability, including income stability and security;
- Achievement of the charity's aims and objectives;
- Meeting the expectation of beneficiaries, partners and donors.

Key risk management procedures in place include:

- Ongoing review and management of the Risk Register by the Trustees and Senior Team, detailing and ranking major organisational risks and mitigating actions where possible;
- Quarterly tracking and reviewing of major risks identified;
- Clear articulation of organisational policies and processes for delegating authority and control;
- Income targets for fundraising activities;
- Ongoing management of the organisation's unrestricted funds, including its reserve fund.

Reserves policy and going concern

Producers Direct has three main objectives for its reserve fund:

- To ensure that Producers Direct has enough resources to cover additional, unbudgeted expenses (for example, the need to hire temporary staff to cover long-term sick leave and/or maternity cover);
- To cover the risk of occasional unforeseen expenditures;
- To fund short-term deficits in cash, in the event that Producers Direct experiences delays in receiving committed funds.

At the end of 2018, the balance of Producers Direct's unrestricted funds totalled £57,007 (2017: £136,441 – restated). Unrestricted funds are held by Producers Direct to cover Producers Direct core activities (including operating costs and support time) during a period of unforeseen difficulty.

During 2019, Producers Direct will continue work to enhance unrestricted income for 2019 and beyond – with the aim of ensuring its unrestricted reserve fund remains sufficient to cover at least three months of minimum operating costs of the charity on an ongoing basis. Producers Direct will target to ensure its end-2019 unrestricted reserve fund balance is at least £35,000. To further enhance current unrestricted funds, Producers Direct will employ a number of different strategies during 2019. These will include testing opportunities to generate earned income through the services provided by the Centre of Excellence model, including training services and sales of products generated by the Centre of Excellence into local and national markets where Centres of Excellence are located. Other 2019 strategies to raise unrestricted funds include targeting earned income through service provision contracts with organisations working with smallholders, and targeting opportunities to secure funding from Impact Investors, whose funding tends to be less restricted than other grant-based donor funds.

Fundraising

During 2018, Producer Direct's fundraising activities principally consisted of applications to national and international donors for grants to support programme and organisational development. Fundraising activities are undertaken internally by grant writers who are employed by Producers Direct. Producers Direct therefore does not hire third party fundraising services.

As part of our commitment to best practice, Producers Direct adheres to the standards set by the Fundraising Regulator and the Institute of Fundraising. During the year, there have been no instances of non-compliance with the requirements of the fundraising code of practice and no complaints have been received by the charity regarding fundraising activities.

The aim of Producers Direct's fundraising expenditure on grant writers is to enhance Producers Direct's annual restricted and unrestricted income for 2018/2019 and future periods in order to sustain and grow programme activities in East Africa and Latin America and support organisational

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growth. As a result of this annual expenditure on fundraising, Producers Direct received and benefited from funding from the following key donors during 2018:

East Africa

- £137,818 from the Global Resilience Partnership (GRP)– a consortium of partners including USAID, the Swedish Government and DFID – of a total grant of \$US 1,000,000 (2016–2018) to develop and scale digital tools that support smallholder farmers in East Africa to enhance their resilience and engagement in agricultural value chains.
- £143,115 from the World Bank Data Innovations fund, of the total funding award of \$USD 250,00 over 18 months, for work to support our farmer-led data system development, with particular focus on delivering climate-specific data insights to smallholder farmers.
- £134,339 from the GHR Foundation / OpenIDEO grant to support Year 1 activities for Youth Direct – promoting the transition among rural youth across Kenya, Tanzania and Uganda from viewing farming as an unprofitable way of life to considering it a profitable enterprise full of potential.
- £15,774 (\$20,000) from producer partner organisations Sireet OEP (Kenya) and Kayonza Tea Growers Factory (Uganda) to support Producers Direct's market access work in East Africa, including structuring honey value chains and developing market access opportunities for product sales into local and national markets. This represents the first tranche of a total \$100,000 in funding confirmed from Sireet OEP (Kenya) and Kayonza Tea Growers Factory (Uganda) over 2 years (2018/2019).
- £3,500 from the Fairtrade Foundation to support work to develop farmer-led data systems.

Latin America

- £147,901 from the Community Fund (previously Big Lottery Fund), representing disbursements for the third of a four-year grant (2015–2019) totalling £450,119 to support smallholder coffee farmers in Peru.
- £11,449 (15,000 CHF) from the Henri@Nestle challenge on youth agri-entrepreneurship, representing the first payment of a total funding award of 50,000 CHF (2018–2019).
- £2,367 from Rikalto to support work to develop the Chirinos Centre of Excellence in coffee quality, and youth leadership development within coffee communities in Peru.

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For the year ended 31 December 2018

Unrestricted Income

- Producer Direct's ongoing Donation Agreement with Cafédirect plc. During 2018, Producers Direct received an annual donation of £100,000 from Cafédirect plc.
- Unrestricted donations including from the Cuckoo Hill Trust, Scott Bader and Triodos Foundation, with the Triodos Foundation donation representing £6,000 for expenditure over 2018/2019.

Repayments on micro-loans distributed: £58,432 in repayments of micro-loans distributed to producer partners during 2017, as detailed above on page 7.

Plans for the future

Future Programme Activities

The focus of Producers Direct's 2017–2020 Strategy is to deliver public benefits to smallholder producer communities across Latin America and Africa, with the overarching impacts of:

- Enhancing farmer livelihoods and incomes;
- Enhancing resilience;
- Investing in building farmer leadership.

Key aspects of Producers Direct's 2017–2020 Strategy and model include:

- Farmer leadership and expertise central to design and delivery of all interventions.
- Blending of peer-to-peer in-person and digital services to enhance adoption rates and maximize impact.
- Development of a global network of self-sustaining Centres of Excellence led by smallholder producer organisations.
- Co-financing model leveraging Producers Direct's investment in farmer-led programming through co-financing and payments from smallholder farmers.

Over the next two years, Producers Direct's farmer-led model will continue to address four key barriers limiting smallholder farmers' productivity, income generation potential and resilience:

Farmer-led training: In partnership with local farmer cooperatives, Producers Direct will continue to develop a global network of Centres of Excellence that provide relevant and affordable peer-to-peer training to smallholder farmers. Each Centre of Excellence offers farmers: 1) access to a network of qualified Lead Farmers (trained by Producers Direct and local cooperative partners) and 2) relevant and affordable in-person training on demonstration sites/farms, where farmers can learn and trial innovative farming practices, increasing behaviour change and uptake amongst farmers. Farmers' willingness to pay underscores the validity this business model and its potential

Producers Direct

Trustees' annual report

For the year ended 31 December 2018

for replication. In-person training is supported by multi-media digital tools including Wefarm, which amplifies reach and impact to larger numbers of smallholder farmers. Centres of Excellence specialise in at least one of the following areas:

- 1) micro-enterprise development (providing alternative household incomes),
- 2) business management/planning,
- 3) crop quality and improved productivity, and
- 4) environmental sustainability and climate change adaptation.

Access to finance: Farmers' inability to access finance required to trial techniques learnt during training is a key barrier (i.e. funds to trial new fertilising techniques or the development of an alternative microenterprise to increase household incomes such as fish farming or beekeeping). Producers Direct will support smallholder farmers to access the finance they need to make on-farm investments.

Market Access: Producers Direct will blend in-person and digital approaches to support smallholders to access markets. This aspect of Producers Direct's strategy builds on work undertaken in partnership with MasterCard Labs to develop 2Kuze, a digital tool that supports farmers to: 1) increase market visibility, 2) trace products and payments and 3) improve access and links to buyers. Producers Direct will also invest building networks of youth leaders at each Centre of Excellence to manage post-harvest logistics and coordination.

During 2019, activities will support each Centre of Excellence to increasingly structure value chains for diversification crops, aggregate products and support smallholders more effectively access local and national markets for their crops, and test the viability of selling products under the Producers Direct brand in the local and national markets where each Centre of Excellence is operating. This will include crops where value chains are currently structured, such as tea and coffee, but also investment in strengthening currently unstructured value chains, such as honey, banana, pineapple and avocado, in order to support smallholders to enhance their incomes through improved market access for a broader range of the products they are growing

Farmer-led Data Analytics: Data systems owned and shared by beneficiaries have significant potential to step-change the effectiveness and impact of development interventions. Producers Direct will continue developing its pioneering farmer-led data system, providing critical data feedback loops to farmers and, over time, offering increasingly enriched data insights to farmers that include weather, productivity and income predictions. Producers Direct will also use these systems to analyse our impact and make decisions regarding replication and scale.

Future funding

Funds secured for 2019 programme activities include:

Producers Direct

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For the year ended 31 December 2018

East Africa

- Second year of the World Bank's Development Data Innovation Award funding, to support the scaling of our farmer-led data work and help smallholder farmers respond to climate risks by integrating multiple sources of information that supports them adapt and respond to specific climate-related challenges.
- GHR Foundation / OpenIDEO Youth Direct funding for Youth Direct, focussed on youth agri-entrepreneurship and supporting rural youth across Kenya, Tanzania and Uganda to demonstrate the profitability of agri-enterprises.
- Global Resilience Partnership (GRP) – Scaling Fund: Follow-up funding from the GRP of \$US220,000, for expenditure in 2019, to scale successful components of the original GRP project, including advancing the farmer-led data systems and youth-led value addition and market access work in Kenya, Tanzania and Uganda.
- \$80,000 from producer partner organisations Sireet OEP (Kenya) and Kayonza Tea Growers Factory (Uganda) to support Producers Direct's market access work in East Africa. This represents the second tranche of a total \$100,000 in funding confirmed from Sireet OEP (Kenya) and Kayonza Tea Growers Factory (Uganda) over 2 years (2018/2019).

Latin America

- Delivering the final 12 months of the four-year programme in Peru, *Innovation by Smallholders to enhance Productivity, Incomes, Resources and Enterprise (INSPIRE)*, with support from the Community Fund (previously Big Lottery Fund).
- 35,000 CHF from Henri@Nestle, representing the balance of the 50,000 CHF award from the Henri@Nestle challenge on youth agri-entrepreneurship secured in 2018.
- ~12,500 USD from Rikalto (exact total to be confirmed) to support the further development of Chirinos' Centre of Excellence in coffee quality, and youth leadership development within coffee communities in Peru.

Additional 2019 priorities include:

- Completion of local branch registration for Producers Direct in Peru, with the aim of expanding Peru-focussed activities and associated funding to support programme growth in Peru.
- Continued emphasis on fundraising to grow and diversify Producer Direct's sources of unrestricted and restricted income for 2019 and beyond.

Producers Direct

Trustees' annual report

For the year ended 31 December 2018

- Initial testing of earned income streams from branded product sales sourced from the East Africa Centres of Excellence into local and national markets where producer organisations are located.
- Continued investment in strengthening the skills and capacity Producers Direct's existing Board, and developing the leadership skills of future producer representatives to serve on Producers Direct's Board.
- Continuing to support Wefarm's strategy to raise funds through the sale of equity in Wefarm through a plan to approach organisational and individual investors with a range of social and/or financial investment interests, including the successful completion of Wefarm's next fundraising round scheduled to complete in the first half of 2019.

Structure, governance and management

Constitution

Producers Direct is an international non-governmental, non-political, non-religious organisation. It was established as a private limited company limited by guarantee on 10th July 2009 (Company Number: 06959165) and was registered as a charity in December 2009 (Registered charity number: 1133218). The company was established under a Memorandum of Association (10th July 2009) that established its objectives and powers and is governed under its Articles of Association (10th July 2009).

Trustees

Producers Direct's Trustees are responsible for setting Producers Direct's strategy and are responsible in law for the running of Producers Direct. The Charity's sole Member, Cafédirect Producers Limited (CPL), is responsible for officially appointing Producers Direct Trustees. Prior to appointment by CPL, existing members of the Producers Direct Board of Trustees are responsible for confirming that new Trustees have the necessary skills and capacity to contribute to Producers Direct's governance, and organisational development.

Producers Direct's Articles of Association allows for a minimum of three Trustees to be appointed. As the charity's sole Member, CPL (as outlined in Producers Direct's Articles of Association) reviews the appointment of Producers Direct Trustees each year. A minimum of two Trustees will offer to retire by rotation each year. A retiring Trustee may be re-appointed by the Member. Trustees typically serve a maximum of two three-year terms.

All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 6 to the accounts. Producers Direct's Trustees are not paid and are not remunerated for their role. Travel expenses associated with Producers Direct Trustees attending Board meetings are reimbursed, including the international flights of Producers Direct Trustees travelling from Kenya, Uganda, Tanzania and Peru.

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Trustees' annual report

For the year ended 31 December 2018

The Producers Direct Board of Trustees is responsible for approving Producers Direct's annual work plan, budget and long-term strategy development. The day-to-day management of Producers Direct is delegated to Producers Direct's CEO – Claire Rhodes, based on a strategy, annual work plan and budget approved by the Trustees. Claire Rhodes has served in this role since the establishment of Producers Direct (previously Cafédirect Producers' Foundation) in 2009.

The CEO reports at least quarterly to the Trustees on activities undertaken in managing Producers Direct and provides updated financial reports that explain Producers Direct's financial position. In 2018, six Board meetings were held and update reports provided. Face-to-face Board meetings were held in April, June and December 2018, with three Board teleconferences convened in August, September and October 2018.

At present, Producers Direct has a Board sub-committee responsible for oversight of matters concerning Producers Direct's shareholding in Wefarm. Board sub-committee members include Nimrod Wambette (until April 2018), Penelope Newman and Tim Morgan. A sub-committee has also been established to oversee Producers Direct Procurement processes. This sub-committee comprises two staff and one trustee representative. Lebi Hudson is the appointed trustee representative. Until April 2018, Nimrod Wambette served as the Producers Direct Chairperson. Nimrod Wambette retired from the Board in April 2018 after two three-year terms serving as a Producers Direct Trustee. The Trustees subsequently elected Lebi Hudson to serve as the new Producers Direct Chair from April 2018 and Christele Delbe to serve as Vice Chair. No further specific responsibilities have been appointed to each trustee.

Financial controls are determined by Producers Direct's financial procedures and procurement policies, which outline the level of authority of Producers Direct Trustees and the Producers Direct CEO over Producers Direct's financial procedures. Conflicts of Interest are managed in accordance with the Producers Direct's Articles of Association and Producers Direct's Conflict of Interest Policy. A Register of Trustee's and Senior Team member's Interests has been established and is updated annually.

Employees

For the majority of 2018 Producers Direct employed 5 full-time UK-based staff members:

- The CEO, responsible for managing the day-to-day operations of Producers Direct, and Producers Direct's longer-term strategic development.
- A Head of Investments, responsible for leading Producers Direct's fundraising and partnership development activities.
- An Information Manager, responsible for managing Producers Direct's communications with the general public, and Producers Direct's work to design a farmer-led data management system.

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Trustees' annual report

For the year ended 31 December 2018

- An Investments Coordinator, responsible for supporting Producers Direct fundraising and operational activities.
- A part-time Head of Finance (0.8 FTE), who served in the role through until November 2018.

Throughout 2018, Producers Direct maintained its local branch status in Kenya. For the majority of 2018, Producers Direct maintained four full-time employees based in Nairobi:

- A Head of Programmes, responsible for managing Producers Direct's activities with the smallholder producer organisations that Producers Direct works with across both East Africa and Latin America.
- An Africa Centre of Excellence Manager, responsible for overseeing the strategic development of Producers Direct's Centre of Excellence network in East Africa and managing annual workplans for each of the four East African Centres of Excellence.
- An Africa Centre of Excellence coordinator, responsible for providing coordination support for Africa-focussed activities.
- An Accounts and Operations Manager, responsible for supporting day-to-day financial management for Producers Direct overall, and the operational management of Producers Direct's local branch in Kenya.

Additional Nairobi-based roles recruited in late 2018 included a part-time Africa Fundraising Coordinator, and a full-time User Centred Developer.

During 2018, Producers Direct contracted a range of support services, including financial management services and support for the coordination of programme activities with smallholder producer organisations in Latin America. This included the services of three project co-ordinators throughout 2018, one in Haiti and two in Peru, and part-time fundraising and administrative assistance in Peru.

Employee Remuneration

Producers Direct staff salaries are reviewed annually for all employees. Salary reviews take into account the following aspects: Employee's annual performance; level of responsibility, skill and knowledge required to carry out the role; comparable salary ranges in the geography and market in which the team member is working. For the CEO, the Chair of Producers Direct is responsible for proposing the salary adjustment to the Producers Direct Board for consideration and approval, based on their review of the CEO's performance and salary benchmarking with non-profit organisations of similar size, scope and resources to Producers Direct. For all other Producers Direct staff, the CEO is responsible for proposing the salary adjustments to the Producers Direct Board for consideration and approval, based on an employee's annual performance and

benchmarking of salaries against comparable roles in organisations operating in similar geographies and markets to Producers Direct.

Appointment of Trustees

To recruit and appoint new Trustees, the Producers Direct management team reviews and shortlisting potential candidates based on the key skills sought from the new Trustees and each candidate's potential suitability for the role. Existing Producers Direct Trustees are responsible for reviewing the short-list of candidates and identifying top candidates to be interviewed by current Trustees. Trustees then recommend selected candidates to the sole member of Producers Direct, Cafédirect Producers Limited (CPL). As the sole member of Producers Direct, Cafédirect Producers Limited is responsible for the final appointment of new Trustees to the Producers Direct Board.

Trustee induction and training

When new Trustees are appointed to Producers Direct, they will be given an induction to Producers Direct and are given the information they need to fulfil their role, including information about their role as a Producers Direct Trustee and on charity law. Trustees are also encouraged and supported to attend external trainings available for new and existing Trustees on key responsibilities associated with serving as a Trustee of a UK Charity.

Related parties and relationships with other organisations

Related parties include:

Cafédirect Producers Limited (CPL): CPL is the sole Member of Producers Direct. CPL is a limited company (Company Number 4804115) owned by the smallholder producer organisations who hold shares in Cafédirect plc. CPL activities focus on enhancing the role of producer organisations as shareholders in Cafédirect plc and advancing the role of producers in the governance of Cafédirect plc.

Cafédirect Producers Trust: The Cafédirect Producers Trust was established by a Trustee Deed dated 10th December 2003 to permit producer organisations who sell products to Cafédirect plc to hold shares in Cafédirect plc. CPL is one of the Trustees.

Cafédirect plc: Producers Direct is legally independent from Cafédirect plc. Cafédirect plc and Producers Direct have been linked through a Donation Agreement, dating from 28th September 2009, which outlines the terms under which Cafédirect plc makes an annual donation to Producers Direct to support producer programmes, and to strengthen Producers Direct's operational capacity. This donation was extended for an additional 3-years from January 2017.

Wefarm Ltd: Wefarm originated as a project of Producers Direct and operated as a Producers Direct project from 2010–2015. In January 2015, Wefarm was incorporated as a Private Company Limited by Shares. At the end of 2018, Producers Direct held a 9.91% shareholding in Wefarm.

Producers Direct

Trustees' annual report

For the year ended 31 December 2018

Producers Direct is also represented on the Wefarm Board and currently holds the right to a Wefarm Board seat.

Chad Advisory: Chad Advisory is an independent consultancy with expertise in digital tools to support the management of agricultural value chains. From 2016 to 2018, Chad Advisory was one of the consortium partners responsible for delivering the Global Resilience Partnership (GRP) programme managed by Producers Direct. As such, Chad Advisory received one payment in early 2018 for delivering support services that contribute to programme delivery. Through the successful partnership to deliver GRP Programme activities, Christele Delbe, Founder and Director of Chad Advisory, was identified as a strong future Producers Direct Trustee during 2017 and invited to join as a Trustee from September 2017.

Statement of responsibilities of the Trustees

The Trustees (who are also directors of Producers Direct for the purposes of company law) are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice 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 charity will continue in operation

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Producers Direct

Trustees' annual report

For the year ended 31 December 2018

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

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 December 2018 was 1, Cafédirect Producers Limited being the sole member of the charity (2017: 1). The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity.

Auditor

Sayer Vincent LLP was appointed as the charitable company's auditor during the year and has expressed its willingness to continue in that capacity.

The Trustees' annual report has been approved by the Trustees on 1 August 2019 and signed on their behalf by

Penny Newman

Trustee, Producers Direct

Independent auditor's report

To the members of

Producers Direct

Opinion

We have audited the financial statements of Producers Direct (the 'charitable company') for the year ended 31 December 2018 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation 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 charitable company's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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 charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report

To the members of

Producers Direct

Other information

The other information comprises the information included in the trustees' annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the trustees' annual report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements
- The trustees' annual report, including the strategic report, has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

We have nothing to report in respect of the following matters in relation to which 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 trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the charitable 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 trustees either intend to liquidate the charitable 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

Independent auditor's report

To the members of

Producers Direct

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable 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 charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Noelia Serrano (Senior statutory auditor)

2 August 2019

for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Producers Direct

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 December 2018

	Note			Total 2018 £	Restated		Total 2017 £
		Unrestricted £	Restricted £		Unrestricted £	Restricted £	
Income from:							
Donations and legacies	2	149,549	-	149,549	174,912	-	174,912
Charitable activities							
Africa Programmes	3	-	434,546	434,546	13,573	346,026	359,599
Latin America Programme	3	-	161,717	161,717	-	99,460	99,460
Investments		3,064	-	3,064	148	-	148
Total income		152,613	596,263	748,876	188,633	445,486	634,119
Expenditure on:							
Raising funds	4	17,946	-	17,946	48,922	2,700	51,622
Charitable activities							
Africa Programmes	4	165,588	386,109	551,697	104,369	640,132	744,501
Latin America Programme	4	48,513	126,663	175,176	24,086	191,613	215,699
Total expenditure		232,047	512,772	744,819	177,377	834,445	1,011,822
Net income / (expenditure) for the year	5	(79,434)	83,491	4,057	11,256	(388,959)	(377,703)
Transfers between funds		-	-	-	114,018	(114,018)	-
Net income / (expenditure) after transfers		(79,434)	83,491	4,057	125,274	(502,977)	(377,703)
Net movement in funds		(79,434)	83,491	4,057	125,274	(502,977)	(377,703)
Reconciliation of funds:							
Total funds brought forward		136,441	36,211	172,652	11,167	539,188	550,355
Total funds carried forward		57,007	119,702	176,709	136,441	36,211	172,652

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 17a to the financial statements.

Producers Direct

Balance sheet

Company no. 06959165

As at 31 December 2018

	Note	2018 £	£	Restated 2017 £	£
Fixed assets:					
Tangible assets	10		5,101		3,984
Investments	11		800		800
			<u>5,901</u>		<u>4,784</u>
Current assets:					
Programme related investments	13	53,228		111,660	
Debtors	12	45,201		52,913	
Cash at bank and in hand		114,272		108,447	
			<u>212,701</u>	<u>273,020</u>	
Liabilities:					
Creditors: amounts falling due within one year	14	(41,893)		(105,152)	
			<u>170,808</u>		<u>167,868</u>
Net current assets			<u>176,709</u>		<u>172,652</u>
Total net assets			<u><u>176,709</u></u>		<u><u>172,652</u></u>
The funds of the charity:					
Restricted income funds	17a		119,702		36,211
Unrestricted income funds:					
General funds		57,007		136,441	
			<u>57,007</u>	<u>136,441</u>	
Total unrestricted funds			<u>57,007</u>		<u>136,441</u>
Total charity funds			<u><u>176,709</u></u>		<u><u>172,652</u></u>

Approved by the trustees on 1 August 2019 and signed on their behalf by

Penny Newman
Trustee, Producers Direct

Producers Direct

Statement of cash flows

For the year ended 31 December 2018

	Note	2018 £	£	2017 £	£
Cash flows from operating activities					
Net income / (expenditure) for the reporting period (as per the statement of financial activities)		4,058		(377,703)	
Depreciation charges		2,283		807	
(Gains)/losses on investments		-		-	
Dividends, interest and rent from investments		3,064		148	
(Profit)/loss on the disposal of fixed assets		-		-	
Decrease in debtors		7,712		42,834	
(Decrease)/increase in creditors		(63,259)		9,333	
Net cash (used in) operating activities			(46,143)		(324,581)
Cash flows from investing activities:					
Dividends, interest and rents from investments		(3,064)		(148)	
Payment of programme related investments				(117,832)	
Cash received on repayment of programme related investments		58,432		6,166	
Purchase of fixed assets		(3,400)		(4,791)	
Net cash provided by/(used in) investing activities			51,968		(116,605)
Change in cash and cash equivalents in the year			5,825		(441,186)
Cash and cash equivalents at the beginning of the year			108,447		549,633
Cash and cash equivalents at the end of the year			114,272		108,447

a Analysis of cash and cash equivalents

	At 1 January 2018 £	Cash flows £	Other changes £	At 31 December 2018 £
Cash at bank and in hand	108,447	5,825	-	114,272
Overdraft facility repayable on demand	-	-	-	-
Total cash and cash equivalents	108,447	5,825	-	114,272

1 Accounting policies

a) Statutory information

Producers Direct is a charitable company limited by guarantee and is incorporated in England and Wales.

The registered office address and principal place of business is 21 Whiston Road, London, E2 9EX.

b) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (March 2018) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

c) Public benefit entity

The charity meets the definition of a public benefit entity under FRS 102.

d) Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

Key judgements that the charity has made which have a significant effect on the accounts include: Recognition of income in accordance with the terms of the grants made to the charity, where income is granted to the charity over the period greater than one year, and is linked to performance within the project, there is some degree of judgement in assessing the stage of completion and hence the income recognised.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

f) Donations of gifts, services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item or received the service, any conditions associated with the donation have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised so refer to the trustees' annual report for more information about their contribution.

g) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

h) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

1 Accounting policies (continued)

i) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the charity in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose
- Expenditure on charitable activities includes the costs of delivering services undertaken to further the purposes of the charity and their associated support costs

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

j) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

Support and governance costs are re-allocated to each of the activities on the following basis which is an estimate, based on staff time, of the amount attributable to each activity

- | | |
|---------------------------|-----|
| ▪ Africa Programme | 76% |
| ▪ Latin America Programme | 24% |

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

k) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

l) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- | | |
|----------------------|-----------------------|
| ▪ Computer equipment | 3 years straight line |
|----------------------|-----------------------|

m) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

n) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

o) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

o) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

p) Pensions

The charity operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the charity. The annual contributions payable are charged to the statement of financial activities.

2 Income from donations and legacies

Restated

	Unrestricted £	Restricted £	Total 2018 £	Restated		Total 2017 £
				Unrestricted £	Restricted £	
Donations	149,549	-	149,549	174,912	-	174,912
	149,549	-	149,549	174,912	-	174,912

3 Income from charitable activities

	Unrestricted £	Restricted £	2018 Total £	Unrestricted £	Restricted £	2017 Total £
GHR Foundation	-	134,339	134,339	-	-	-
World Bank	-	143,115	143,115	-	-	-
Mastercard Labs	-	-	-	-	37,340	37,340
Nominet Trust	-	-	-	-	2,013	2,013
Global Resilience Partnership	-	137,818	137,818	-	304,638	304,638
Comic Relief	-	-	-	-	2,035	2,035
Producer Partners	-	15,774	15,774	-	-	-
Fairtrade Foundation	-	3,500	3,500	-	-	-
Climate Ventures	-	-	-	13,573	-	13,573
Sub-total for East Africa Programme	-	434,546	434,546	13,573	346,026	359,599
Latin America Programme						
Big Lottery	-	147,901	147,901	-	97,924	97,924
HenriNestle	-	11,449	11,449	-	-	-
Rikolto	-	2,367	2,367	-	-	-
Other	-	-	-	-	1,536	1,536
Sub-total for Latin America Programme	-	161,717	161,717	-	99,460	99,460
Total income from charitable activities	-	596,263	596,263	13,573	445,486	459,059

Producers Direct

Notes to the financial statements

For the year ended 31 December 2018

4a Analysis of expenditure (current year)

	Charitable activities					2018 Total £	2017 Total £
	Raising funds £	East Africa Programme £	Latin America Programme £	Governance costs £	Support costs £		
Staff costs (Note 6)	17,946	151,399	6,595	-	77,331	253,270	220,347
Direct programme expenditure	-	224,689	113,783	-	51,544	390,016	687,481
Costs of generating funds: Other expenditure	-	-	-	-	-	-	5,700
Office costs	-	24,332	6,764	-	32,598	63,694	72,986
Audit, legal and professional fees	-	-	-	37,838	-	37,838	25,308
	17,946	400,419	127,142	37,838	161,473	744,818	1,011,822
Support and governance costs	-	151,277	48,034	(37,838)	(161,473)	-	-
Total expenditure 2018	17,946	551,696	175,176	-	-	744,818	
Total expenditure 2017	51,622	744,501	215,699	-	-		1,011,822

Producers Direct

Notes to the financial statements

For the year ended 31 December 2018

4b Analysis of expenditure (prior year)

	Charitable activities					2017 Total £
	Raising funds £	East Africa Programme £	Latin America Programme £	Governance costs £	Support costs £	
Staff costs (Note 6)	45,922	63,878	-	-	110,547	220,347
Direct programme expenditure	-	516,952	170,529	-	-	687,481
Costs of generating funds: Other expenditure	5,700	-	-	-	-	5,700
Office costs	-	6,249	-	-	66,737	72,986
Audit, legal and professional fees	-	-	-	25,308	-	25,308
	51,622	587,079	170,529	25,308	177,284	1,011,822
Support and governance costs	-	157,422	45,170	(25,308)	(177,284)	-
Total expenditure 2017	51,622	744,501	215,699	-	-	1,011,822

5 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2018 £	2017 £
Depreciation	2,283	807
Auditor's remuneration (excluding VAT):		
Audit	5,900	5,500
Other services: GRP Project Audit during 2018	8,500	-
	<u>16,683</u>	<u>6,307</u>

6 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2018 £	2017 £
Salaries and wages	220,744	193,601
Social security costs	16,357	11,300
Employer's contribution to defined contribution pension schemes	16,169	15,446
	<u>253,270</u>	<u>220,347</u>

No employee earned more than 60,000 during the year (2017: nil).

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £48,756 (2017: £47,905).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2017: nil). No charity trustee received payment for professional or other services supplied to the charity (2017: nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £1,532 (2017: £1,909) incurred by 4 (2017: 4) members relating to attendance at meetings of the trustees.

7 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 9 (2017: 9).

Staff are split across the activities of the charity as follows (full time equivalent basis):

	2018 No.	2017 No.
Raising funds	0.6	1.9
East Africa Programmes	5.5	2.6
Latin America Programmes	0.2	-
Support	2.7	4.5
	<u>9.0</u>	<u>9.0</u>

8 Related party transactions

Aggregate donations from related parties were £100,000; (2017: £150,000).

Other transactions with related parties: Global Resilience Partnership sub-grant from Producers Direct to Wefarm: £106,587 (2017: £146,311); Service Charge agreement paid from Producers Direct to Cafédirect: £19,954 (2017: £36,000); Global Resilience Partnership consultancy fee payment from Producers Direct to Chad Advisory: £10,880. Producers Direct is connected to these related parties as follows:

Cafédirect plc: Cafédirect plc and Producers Direct have been linked through a Donation Agreement, dating from 28th September 2009, which outlines the terms under which Cafédirect plc makes an annual donation to Producers Direct to support producer programmes, and to strengthen Producers Direct's operational capacity.

Wefarm Ltd: Wefarm originated as a project of Producers Direct and operated as a Producers Direct project from 2010–2015. In January 2015, Wefarm was incorporated as a Private Company Limited by Shares. At the end of 2018, Producers Direct held a 9.9% shareholding in Wefarm and is holds a seat on the Wefarm Board.

Chad Advisory: Chad Advisory is an independent consultancy with expertise in digital tools to support the management of agricultural value chains. From 2016 to 2018, Chad Advisory was one of the consortium partners responsible for delivering the Global Resilience Partnership (GRP) programme managed by Producers Direct. As such, Chad Advisory received one payment in early 2018 for delivering support services that contribute to programme delivery. Through the successful partnership to deliver GRP Programme activities, Christele Delbe, Founder and Director of Chad Advisory, was identified as a strong

9 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

10 Tangible fixed assets

	Computer Equipment	
	2018	2017
	£	£
Cost		
At the start of the year	14,049	9,258
Additions in year	3,400	–
Disposals in year	–	4,271
At the end of the year	17,449	13,529
Depreciation		
At the start of the year	10,065	9,258
Charge for the year	2,283	–
Eliminated on disposal	–	807
At the end of the year	12,348	10,065
Net book value		
At the end of the year	5,101	3,984
At the start of the year	3,984	–

All of the above assets are used for charitable purposes.

Producers Direct

Notes to the financial statements

For the year ended 31 December 2018

11 Fixed asset investments

	2018	2017
	£	£
Cost at the start of the year	800	800
Net gain / (loss) on change in fair value	-	-
	<u>800</u>	<u>800</u>

The investment represents Producers Direct investment in Wefarm at cost, as detailed on p11–12 of the Trustees' report. While Wefarm has undergone a series of investment rounds since its establishment as an independent for-profit company in 2015, the continued valuation of Producers Direct's investment in Wefarm at cost (£800) is based on there not yet being any market mechanism or liquidity in the Wefarm shares. A reliable market value cannot therefore yet be obtained for Producers Direct's shareholding in Wefarm. At the close of the 2018 round, Producers Direct held a 9.91% shareholding in Wefarm. At the end of 2018 and ahead of its 2019 investment round, Wefarm's pre-money valuation was \$USD 20 million. At the the close of the 2019 investment round, Producers Direct held a 6.41% shareholding in Wefarm.

12 Debtors

	2018	2017
	£	£
Trade debtors	27,796	20,537
Prepayments and accrued income	17,405	32,376
	<u>45,201</u>	<u>52,913</u>

Producers Direct

Notes to the financial statements

For the year ended 31 December 2018

13 Programme related investments

	2018 £	2017 £
Fair value at the start of the year	111,660	-
Additions at cost	-	117,826
Impairment of investments	-	-
Repayment of loans	(58,432)	(6,166)
Fair value at the end of the year	53,228	111,660

Investments comprise:

	2018 £	2017 £
Loans		
Kayonza Growers Tea Factory Ltd	5,886	17,852
Sireet Outgrowers Empowerment and Producer Company Ltd	18,092	33,448
Ankole Coffee Producers Cooperative Union Ltd	12,697	37,723
Misozi Coffee	16,553	22,637
	53,228	111,660

Originally funded with 2017 grant funding from Comic Relief, Producers Direct partnered with smallholder producer organisations in Uganda, Kenya and Tanzania, and micro-finance institutions associated with each organisation, to enhance farmers' access micro-loans to support them implement new practices and/or ideas for new enterprises that they have learnt about while participating in Centre of Excellence training. i.e. micro enterprise creation, tea and coffee quality improvement and climate change adaptation innovative activities. Interest on loans was charged at below market rates in Kenya, Uganda and Tanzania. Loans were made to further the charity's objectives and not solely to generate a financial return.

14 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	18,546	85,160
Taxation and social security	3,476	5,465
Accruals	19,871	14,527
	41,893	105,152

15 Pension scheme

The charity operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the charity. The annual contributions payable are charged to the statement of financial activities.

Producers Direct

Notes to the financial statements

For the year ended 31 December 2018

16a Analysis of net assets between funds (current year)

	General unrestricted £	Restricted £	Total funds £
Tangible fixed assets	-	5,101	5,101
Investments	800	-	800
Net current assets	56,207	114,602	170,808
Net assets at 31 Dec 2018	57,007	119,703	176,709

16b Analysis of net assets between funds (prior year) – as restated

	General unrestricted £	Restricted £	Total funds £
Tangible fixed assets	-	3,984	3,984
Investments	800	-	800
Net current assets	135,640	32,228	167,868
Net assets at 31 Dec 2017	136,440	36,212	172,652

17a Movements in funds (current year)

	At 1 January 2018 £	Income & gains £	Expenditure & losses £	Transfers	At 31 December 2018 £
Restricted funds:					
Africa – Global Resilience Partnership	26,602	137,818	(188,134)	-	(23,714)
Africa – World Bank	-	143,115	(128,204)	-	14,911
Africa – GHR	-	134,339	(58,211)	-	76,128
Africa – Comic Relief	2,000	-	(2,000)	-	-
Africa – Fairtrade Foundation	-	3,500	(3,500)	-	-
Africa – Producer Partners	-	15,774	(6,060)	-	9,714
Latin America – Community Fund (previously Big Lottery)	7,609	147,901	(113,445)	-	42,065
Latin America – HenriNestle	-	11,449	(11,190)	-	259
Latin America – Rikolto	-	2,367	(2,028)	-	339
Total restricted funds	36,211	596,263	(512,772)	-	119,702
Unrestricted funds:					
General funds	136,441	152,613	(232,047)	-	57,007
Total unrestricted funds	136,441	152,613	(232,047)	-	57,007
Total funds	172,652	748,876	(744,819)	-	176,709

The narrative to explain the purpose of each fund is given at the foot of the note below.

Producers Direct

Notes to the financial statements

For the year ended 31 December 2018

17b Movements in funds (prior year)

	At 1 January 2017 £	Income & gains as restated £	Expenditure & losses as restated £	Transfers as restated £	At 31 December 2018 as restated £
Restricted funds:					
Africa – Global Resilience Partnerships	197,056	304,638	(475,091)	–	26,603
Africa – Comic Relief	213,487	2,035	(95,403)	(117,832)	2,287
Africa – Nominet Trust	39,123	2,013	(41,136)	–	–
Africa – Other	952	37,340	(40,387)	1,808	(287)
Latin America – Big Lottery	69,855	97,924	(162,176)	2,006	7,609
Latin America – Other	18,715	1,536	(20,252)	–	(1)
Total restricted funds	539,188	445,486	(834,445)	(114,018)	36,211
Unrestricted funds:					
General funds	11,167	188,633	(177,377)	114,018	136,441
Total unrestricted funds	11,167	188,633	(177,377)	114,018	136,441
Total funds	550,355	634,119	(1,011,822)	–	172,652

Purposes of restricted funds

Africa – Global Resilience Partnership: A 24-month award of \$US 1 million (co-sponsored by USAID, Swedish Government and DFID), contracted through until 30th June 2018 to develop and scale digital tools that support smallholder farmers in East Africa to enhance their resilience and engagement in agricultural value chains.

Africa – Comic Relief: A multi-year grant from Comic Relief (2013–early 2018), the East Africa Producer Innovation Programme (EAPIP), to establish farmer-run Centres of Excellence that support smallholders to enhance the quality of their tea and coffee production; diversify incomes through micro-enterprise establishment, and enhance their resilience to climate change.

Africa – Nominet Trust: A 12-month grant from Nominet Trust, initiated in June 2016, to support the development of digital prototypes that relays data from on-farm sensors to farmers' mobile phones.

Africa – World Bank: \$USD 250,000 awarded from the World Bank Data Innovations Fund over 18 months to support the development of our farmer-led data system in East Africa, with the aim of supporting smallholder farmers to respond to climate risks.

Africa – GHR: \$US 256,575 funding from the 2018 Bridgebuilder Challenge – supported by GHR Foundation and OpenIDEO to support YouthDirect –focused on promoting youth engagement with agriculture across Kenya, Tanzania and Uganda.

Africa – Fairtrade Foundation: £3,500 grant during 2018 from the Fairtrade Foundation to support work to develop farmer-led data systems.

Africa – Producer Partners: \$20,000 from producer partner organisations Sireet OEP (Kenya) and Kayonza Tea Growers Factory (Uganda) to support Producers Direct's market access work in East Africa, including structuring honey value chains and developing market access opportunities for product sales into local and national markets. This represents the first tranche of a total \$100,000 in funding confirmed from Sireet OEP (Kenya) and Kayonza Tea Growers Factory (Uganda) over 2 years (2018/2019).

Purposes of restricted funds (continued)

Africa – Other: Provision of services to Mastercard Labs to support the development and testing of 2Kuze with smallholder tea farmers in Kenya.

Latin America – Community Fund (previously Big Lottery): A four-year programme in Peru (2015–2019), entitled Innovation by Smallholders to enhance Productivity, Incomes, Resources and Enterprise (INSPIRE), funded by the Big Lottery Fund, to support the establishment of 3 Centres of Excellence in Peru.

Latin America – HenriNestle: Funding awarded from the Henri@Nestle challenge on youth agri-entrepreneurship, of a total award of 50,000 CHF (2018–2019) to support agri-entrepreneurship development and training in the Dominican Republic.

Latin America – Rikolto: 2018 funding to support the further development of Chirinos' Centre of Excellence in coffee quality, and youth leadership development within coffee communities in Peru.

Latin America – Other: Includes income and expenditure from the 2016–2017 Deepening Impact grant from the Fairtrade Foundation to support the Centre of Excellence model and leadership development in Peru, and 2017 funding from Rikolto to support leadership development activities in Peru.

Fund transfers from restricted to unrestricted funds: Fund transfers relate to the micro-loans made using Comic Relief grant funding during 2017 (see note 13). This funding was used as seed financing for the micro-loans and are recognised as programme-related investments on the balance sheet. The funds returned on these loans are due to Producers Direct during 2018 and 2018, while the Comic Relief grant closed in early 2018. As such, a transfer has been made from restricted to unrestricted funds for the value of the remaining loan balance due to Producers Direct.

18 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1. There was one member at 31 December 2018, Cafédirect Producers Limited.

19 Prior period adjustments

	General unrestricted £	Restricted £	Total funds £
Funds previously reported at 31 December 2017	24,774	36,212	60,986
Adjustments on restatement			
1 To correctly account for ROTA loans	117,832	–	117,832
2 To remove ROTA loans repayment from income	(6,166)	–	(6,166)
Funds restated at 31 December 2017	<u>136,440</u>	<u>36,212</u>	<u>172,652</u>
	General unrestricted £	Restricted £	Total funds £
Impact on movement in funds			
Net movement in funds as previously reported	13,608	(502,977)	(489,369)
Adjustments on transition			
1 To remove ROTA loan payments from expenditure	–	117,832	117,832
2 To remove ROTA loan repayment from income	(6,166)	–	(6,166)
3 Transfer between funds	114,018	(114,018)	–
Net income / (expenditure) as restated	<u>121,460</u>	<u>(499,163)</u>	<u>(377,703)</u>