

Company number: 06959165
Charity number: 1133218

Producers Direct

Report and financial statements
For the year ended 31 December 2019

Producers Direct

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For the year ended 31 December 2019

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Producers Direct

Reference and administrative information

For the year ended 31 December 2019

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	

Company Secretary Tim Morgan (Resigned 30 June 2019)

Key management personnel Claire Rhodes Chief Executive Officer

Bankers Triodos Bank
Deanery Road
Bristol
BS1 5AS

Barclays Bank
Leicester
LE87 2BB

Solicitors Bates Wells
2-6 Cannon Street
London
EC4M 6YH

Producers Direct

Reference and administrative information

For the year ended 31 December 2019

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

The Trustees present their report and the audited financial statements for the year ended 31 December 2019.

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 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 2019, 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 multimedia digital tools including Wefarm, which amplifies reach and impact to a larger number of smallholders. (See page 12 for further details on Wefarm).

Farmer-led training services specialise in at least one of the following areas:

- Good Agricultural Practices;
- Crop Diversification;
- Micro-enterprise development to support income diversification and livelihoods resilience;
- Crop Quality and Productivity Improvement;
- Climate Change Adaptation and Climate Smart Practices;
- Digital and Financial Literacy.

2. Access to Finance: A key barrier to farmers trialling techniques that they have learnt about during a Centre of Excellence training 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 to offer micro-loans to farmers, supporting them with access to 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 work cooperatively to 1) increase market visibility and accessibility, 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 with 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-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:
 - a. 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.
 - b. Engaging with groups within farming communities who may typically be marginalised from traditional farming cooperative structures, for example our investment in strong networks of women and youth leaders within farming 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. We also work with a number of producer organisations who do not supply to Cafédirect plc.

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.
- 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 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 2019

The charity's main activities are described below. All Producers Direct's 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 2019, 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. 2019 East Africa programme expenditure totalled £495,620. 2019 donors for Africa programme activities included the Global Resilience Partnership (a consortium of donor partners including USAID, the Swedish Government and DFID), World Bank, GHR Foundation / OpenIDEO, Innovate UK 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 originally funded 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 management solutions. Thematically, Centres of Excellence offer training 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 2019, four producer organisations served as hosts of the East African Centres of Excellence: Sireet Outgrowers Empowerment and Producer Company Ltd (Sireet OEP), 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 benefiting, as well as broader range of smallholders – both from across the

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

In total, 4,299 smallholder farmers were trained at the East African Centres of Excellence during 2019. Assessment of farmer satisfaction and impacts of the training included:

- 80% of farmers participating in the training found the information provided useful, with 75% feeling able to directly implement the practices they have learnt about.
- 67.5% of farmers are now implementing 3 or more enterprises on their farm, compared with only 15% surveyed three years ago, demonstrating how increased access to markets and high quality training is vital to supporting farmers to diversify and build resilience.

Access to finance: With grant funding originally provided from Comic Relief in 2017, 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. £140,000 in micro-loans were distributed to producer organisations and their member farmers during 2017 to invest in trialling and scaling ideas. Repayment of these micro-loans began in 2018 with repayments continuing during 2019. No further loans were made during 2019. By the end of 2019, a 97% repayment rate on initial loans had been achieved.

Access to Markets: During 2019, Producers Direct continued to benefit from the support of the Global Resilience Partnership (USAID, the Government of Sweden and DFID), through Phase 2 Scaling Funding approved in early 2019. This enabled the expansion of activities to support smallholders more effectively access local and national markets for their crops, and enhance activities with each East African Centre of Excellence to test the aggregation of products for sale under the Producers Direct brand. This includes 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 across the broader range of the products they are growing. Networks of Youth leaders at each Centre of Excellence (see below for further details) play a central role in strengthening farmers' linkages to markets for their farm produce by provide logistics and marketing services to smallholders, including collecting, aggregating and selling surplus food crops such as pineapple, banana, vegetables, poultry, eggs, and honey.

2019 achievements included:

- Training of youth leaders in harvest and post-harvest handling techniques for honey, banana, pineapple and vegetables.

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- Youth-led aggregation and sale of over \$50,000 worth of diversification products into local markets, including honey, eggs, pineapples, banana and leafy greens.
- 79% of farmers reporting that market access activities have improved their incomes – before, one in four have wasted crops.
- Development and consumer testing of Producers Direct branded product packaging designs for sale into national markets, with initial trials planned for branded honey sales in Nairobi during early 2020.
- Early testing of FarmDirect functionality to support the digitisation of product aggregation and sales, including real-time tracking farmers' on-farm productivity and product volumes available to sell. As outlined further below, FarmDirect is Producers Direct's digital platform to support farmers more effectively track and utilise data, and increasingly access Centre of Excellence services digitally as well as in-person.

Farmer-led Data to support on-farm management: 2019 funding to support Producers Direct's farmer-led data activities included from the World Bank Data Innovations Fund, GHR/OpenIdeo, Global Resilience Partnership Phase 2 Scaling funding, and Innovate UK in partnership with Climate Edge. Key 2019 achievements included:

- Further farmer-led testing and iterative development of FarmDirect's on-farm record keeping functionality – including both paper-based and digital record keeping. FarmDirect aims to support smallholders to document and utilise their own farm data, in order to have a more holistic view of their farm's overall performance across the multiple crops they are producing. This enables more effective tracking of their farm's profitability, including crops / enterprises that are performing well and those that are not, as well as more proactive tracking of potential risks to their farm's profitability – including climatic and socio-economic. During 2019, 395 farmers were engaged in developing and testing FarmDirect. A survey of these initial FarmDirect test users indicated 91% found record keeping to be having a positive impact on their farms.
- An additional 4,125 smallholders were trained across Kenya, Uganda and Tanzania on the value of utilising data to support on-farm decision making, with an introduction to FarmDirect highlighting the importance of accessing and using data to support smarter on-farm decisions and proactive risk management.
- Successful implementation of 2019 activities supported by the World Bank Data Innovations funding, ahead of the project closing at the end of 2019. Activities were undertaken in partnership with Climate Edge, the International Centre for Tropical Agriculture (CIAT) and ACPCU in Uganda, with a focus on supporting smallholders to more effectively use data to manage climate risks. Activities integrated historical, current and future climate data sets – including sensor data from on-farm Nexo weather stations, historical geospatial satellite data, and farmer knowledge / perceptions on local climate changes they are seeing – to generate farmer-friendly insights and intelligence to support data-driven climate decisions at farm

level. Data trends observed were then paired with low-cost agronomic recommendations on best practices for farmers to adopt in response to current and anticipated climate trends.

- Initiation of activities in partnership with Climate Edge, Sireet OEP and Cranfield University, supported by Innovate UK, to develop a low-cost soil quality testing toolkit and data feedback mechanisms for smallholder farmers.

Youth Leadership Development and Agri-entrepreneurship

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 (2018–2020) to promote youth engagement with agriculture across Kenya, Tanzania and Uganda. Global Resilience Programme (GRP) Scaling funding secured during 2019 enabled further investment in youth leadership development across East Africa.

Activities supported by GHR Foundation/OpenIDEO and GRP Scaling funds enabled the following 2019 activities:

- **Youth Coordinators at each East African Centre of Excellence:** 10 Youth Coordinators (2 Kayonza, 2 ACPCU, 3 Sireet, 3 RSTGA) are responsible for leading the delivery of the following farmer support services: 1) Organising and promoting training calendars and planning on farm training logistics; 2.) Providing market linkages for fellow youth and smallholders – as outlined above; 3.) Leading the development and testing of data services for smallholders, including supporting farmers to digitally test FarmDirect's record keeping functionality, and installing and maintaining on-farm weather stations to support the testing of climate data services for farmers.
- **Youth Leaders Network:** 534 Youth Leaders were engaged in Producers Direct's activities across Kenya, Uganda and Tanzania during 2019. These included supporting youth to train in and establish micro-enterprises in fish farming, poultry, pig rearing, beekeeping, and horticulture. Youth Forums convened at each Centre of Excellence brought youth leaders together, supporting peer-to-peer mentorship, experiential learning and knowledge sharing. For example, in December 2019, an agri-business tour was held for East African youth at Kayonza's Centre of Excellence, with 150 youth leaders from across East Africa convening to learn through a youth-led training programmes on topics ranging from sustainable agriculture and climate change, through to quality management; post-harvest logistics; business and enterprise skills development – including product marketing and sales; leadership, gender equity and governance training.

This Youth Leader network is also responsible for supporting activities to enhance farmers' access to markets. Responsibilities include collecting, aggregating and transporting surplus crops, and identifying buyers. Financial compensation for the time they invest in supporting market access activities is currently on a performance-based, commission model. During 2019, we trialled different incentive models for youth, including fixed and variable % fees per sale, and assessing how to optimise overall financial benefits to the farmer, youth and the

buyer. As an example, Mathew Sang, one of the Youth Leaders at Sireet OEP in Kenya said, "As a youth agent, I identify a buyer, and discuss the quality and volumes. I then go to look for the produce from the farmer and transport it to the buyers' convenient location. After paying the farmer, I get my well-deserved tip. The commission has helped me improve my way of living and encouraged me to build my marketing and negotiation skills. It has encouraged me to take farming seriously; I can now read the market trends and to produce what the market needs."

Latin America Programme Activities

During 2019, the total Latin America programme expenditure was just over £178,890, principally funded by the Community Fund (previously Big Lottery Fund), with additional support from Rikolto and Pret a Manger. Programme activities were delivered by Peru-based consultants in partnership with 10 Peruvian-based producer organisations – 3 of which play lead roles in hosting Peru-based Centres of Excellence.

Farmer-led training: To-date, Producers Direct's farmer-led training activities in Latin America have primarily been funded 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 Peru programme to improve the livelihoods of 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.

Prior to 2019, programme activities included: 1.) Establishing three Peruvian Centres of Excellence; 2.) Setting up the farmer-led training model at each Centre of Excellence; 3.) 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 overall. 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.

During 2019, all Centres of Excellence continued operating farmer-led training services through established Promoter Farmers networks, farmer friendly training materials and demonstration

sites, providing smallholders across all project regions with in-person trainings hosted at demonstration sites and digital training via videos, radio programming and WhatsApp.

By the end of 2019, over 8,800 Peruvian smallholder farmers have accessed Centre of Excellence services over the programme's 4-year duration to: 1.) Improve coffee quality and yields; 2.) Diversify their incomes by establishing new on-farm micro-enterprises and 3.) Strengthen resilience to changing climates via on-farm mitigations and diversification. These beneficiaries were located across all project regions in Peru.

5,367 of these 8,800 beneficiaries were trained during 2019. During 2019, scholarships were awarded and enabled smallholders from across Peru to access CoE trainings, and then return to their farms to implement changes and train their fellow farmers. Key practices adopted included organic fertiliser, solar dryers, water management, diversification (micro-enterprise). We also evidenced uptake of these practices from fellow farmers who sought training from neighbours on new practices leading to improved incomes and strengthened resilience.

The CoE farmer-led training model has laid strong foundations for scaling a sustainable farmer-led support service model, with strengthened farmer knowledge, enhanced uptake of practices and subsequent livelihood impact evidenced through project activities. For example, a Norandino CoE Climate Adaptation demonstration site now showcases cocoa productivity of 1,400kg/ha – double that at the project start. Lessons have been learnt on effective farmer training formats. In-person has been extremely valuable, with scholarships supporting farmers from across project regions to visit the CoEs highly effective in enabling in-person learning and skills development. Videos showcasing easily-adoptable techniques are being widely used, with digital platforms including WhatsApp and YouTube facilitating low-cost sharing.

Access to Finance and Markets: An End-Programme Lessons Learning workshop was convened with representatives of Peruvian smallholder producer cooperatives and other key stakeholders to review project outcomes and lessons learnt, and discuss the long-term investment model developed to support the scaling of Producers Direct's farmer-led support service model beyond the INSPIRE programme's lifetime. Recommendations highlighted the need to embed the ongoing financing of training services within a broader set of services delivered to smallholders, particularly post-training services that ensure farmers enhance on-farm incomes as a result. There is high demand, especially from youth and women, for support services that enable them to realise value-addition opportunities for the diversification products they produce (cocoa, honey, fruits etc). Consequently, at the end 2019, funds were committed from four of Producers Direct's producer cooperative partners in Peru (Aprocassi, Chirinos, Huadquina and Pangoa) to support the commissioning of a market research study, with the aim of understanding key domestic market trends in Peru for potential diversification crops that could be grown by smallholders, and the potential capacity of smallholder producers to collectively aggregate and supply products to Peruvian consumers.

Youth Leadership Development and Agri-entrepreneurship: 2019 saw strengthened engagement of youth leaders in Centre of Excellence activities across Peru, with youth from all producer

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cooperatives engaged in the sharing and implementation of training practices and innovations to other farmers and playing a lead role in data collection to support evaluation activities at the close of the INSPIRE programme in August 2019. Youth trained at CoEs are evidencing changed perceptions on the value of agriculture as a profession, and associated agri-enterprise development opportunities within their communities. Furthermore, the use of technology to support training activities has been particularly effective, with youth embracing technologies to support training content creation (e.g., videos, tutorials, radio programs, etc.) while simultaneously strengthening their technological skills.

Youth leaders from across Peru had the opportunity to connect and share knowledge and skills in October 2019, when Producers Direct partnered with the Latin America network of Fairtrade producers (CLAC) and Rikolto to convene a second Peruvian youth leaders' forum. The 2019 Forum brought together ~30 youth leaders from over 10 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.

Other 2019 activities to support the investment of youth leaders within Latin America included:

- In November 2019, Producers Direct was awarded funding from Pret-a-Manger to support the implementation of its Coffee Fund activities in Peru. The Pret Coffee Fund annually supports a cohort of youth leaders from the coffee cooperative Cenfrocafe, located in Jaen, Northern Peru, to undertake a comprehensive training curriculum designed to support skills development for the next generation of coffee leaders within Peru. Training models range from sustainable agriculture, coffee quality management and micro-enterprise diversification, through to gender inclusion, cooperative governance and leadership.
- Activities supported by the Henri@Nestle challenge for Youth Agri-entrepreneurship continued in the Dominican Republic, with funding support awarded to support Producers Direct to adapt our current training model and support farmers to take an agri-entrepreneurial approach, particularly youth farmers. Pilot activities focussed on establishing demonstration sites and farmer-led trainings to support dairy farmers, including on hydroponic fodder production and biogas generation.

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 smartphone, 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 2019, Producers Direct continued to hold a seat on the Wefarm Board, supporting Wefarm's strategic business development and strategy to raise funds through the sale of its equity to organisational and individual investors with a range of social and/or financial investment interests. In mid-2019 Wefarm completed a Series A+ investment round which meant that, at the end of 2019, Producers Direct held a shareholding in Wefarm of less than 6.5%. This investment strategy was supported by legal advice which was carefully considered by the Producers Direct Trustees throughout.

Operationally during 2019, Wefarm continued to demonstrate strong growth across Kenya, Uganda and Tanzania. At the end of 2019, over 1.9 smallholder farmers were registered on Wefarm with month-on-month % user growth of approximately 4%.

Achievements and performance during 2019

By the end of 2019, the following cumulative impacts of Producers Direct work since establishment in 2009 have been achieved:

- Since 2009, the livelihoods of **1.3 million** smallholder farmers and their families (cumulatively) have been impacted by Producers Direct, with 424,000 farmers and their families specifically benefiting during in 2019.
- **87%** of farmers who have diversified their on-farm enterprises as a result of receiving training at a Centre of Excellence.
- **90%** of farmers with a new enterprise reporting that it has improved incomes.
- **50%** increase in income for farmers who have adopted additional on-farm enterprises.

At the end of 2019, Producers Direct published its Impact Report detailing achievements and impacts during 2019. Further details on Producers Direct's impact can be found on the Producers Direct website (www.producersdirect.org).

Additionally, other notable achievements during 2019 included:

- 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.
- Producers Direct was announced as a Top 10 winner of the World Bank's Global Facility for Disaster Reduction and Recovery (GFDRR) 2019 Challenge Fund for 'Innovation to Reduce Agriculture and Food Security Risks in Southern Africa' for work to support smallholders to access and utilise data to support risk management.
- Producers Direct was a winner of the World Food Programme / Global Blockchain Business Council's '2019 HacktheSDGs' event, in association with the 2019 United Nations General

Assembly. The prize was for blockchain-based solutions to support the scaling of impact towards the 2030 United Nations Sustainable Development Goals (SDGs). Producers Direct was a winner of the 'SDG 2: Zero Hunger' prize, for a 'digital cooperatives' concept that connected women smallholders, enabling them to enhance their market access and incomes by collectively selling the surplus food crops they are growing through a blockchain-based digital platform.

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 2019, smallholder producers across East Africa and Latin America continued to experience and report the detrimental impacts of changing climatic conditions on their crop production. Furthermore, smallholder producers in Kenyan and Uganda have been severely impacted by the extreme outbreak of desert locusts, posing a significant threat to food security in the region.

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.

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 2019, strategic partners supporting programme delivery included Wefarm, Restless Development, Champion Agency, Rikolto, Climate Edge, Cranfield University and the International Centre for Tropical Agriculture (CIAT).

Financial review

As shown in Producers Direct's Financial Statements, 2019 income totalled £581,445 with funds brought forward from 2018 totalling £176,709. 2019 expenditure totalled £731,213. During 2019, 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 2019. However, as detailed below, Producers Direct's shareholding in Wefarm was revalued as a fixed asset on Producers Direct's 2019 balance sheet. Producers Direct ended the year with a total fund balance of £1,578,141, of which £26,754 was restricted funds and £1,551,387 unrestricted funds.

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 realise any income from investments during 2019.

Producers Direct's shareholding in Wefarm represents Producers Direct's only other current investment. From 2015 through until the end of 2018, Producers Direct has maintained the fixed asset value of its shareholding in Wefarm at £800. The valuation of £800 was maintained because there has been no market mechanism or liquidity in Producers Direct's Wefarm shares.

No cash benefit was realised from Producers Direct's investment in Wefarm during 2019. However, at the end of 2019, Producers Direct's Wefarm shares were re-valued in anticipation of Producers Direct being able to sell a percentage of its shareholding during a 2020 Wefarm investment round. The revaluation and associated net asset change between end-2018 and end-2019 is calculated as follows:

- End 2018: 8,000 shares @ £0.10 per share
- End 2019: 800,000 shares @ £1.994 per share (Wefarm shares were subdivided in November 2019 so that Producers Direct's 8,000 shares became 800,000 shares).

The end 2019 valuation of £1,552,000 is based on the 2020 post-balance sheet event, during which Producers Direct sold 610,825 of its 800,000 shares, at a price of £1.908 per share on 29th October 2020, realising £1,165,465.46. The share price for this 2020 investment round was £1.94 per share, with a 1.65% deduction applied to this share price for transaction costs. At the end of 2019, Producers Direct's shareholding in Wefarm was revalued at 800,000 shares at £1.94 per share.

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 2019, 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. Additionally, through the Thomas Reuters Foundation, Producers Direct benefited from the legal support of Dechert LLP and Bowmans, who advised on options for

Producers Direct's current and future legal structure in Kenya and the UK. The estimated value of these *pro bono* legal services within the 2019 Accounts is £13,500

Producers Direct was also 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 2019.

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.

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. At the end of 2019, the

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balance of Producers Direct's unrestricted cash and assets totalled £1,551,387. Of this, £188 was unrestricted cash and £1,551,199 was fixed assets.

During 2020, Producers Direct will continue work to enhance its unrestricted cash reserves – with the aim of ensuring its unrestricted cash reserves are sufficient to cover at least three months of minimum operating costs of the charity on an ongoing basis (2020: £95,000). The main strategy that Producers Direct will pursue to achieve this during 2020 is the sale of a percentage of Producers Direct's shareholding in Wefarm. This will raise £1,165,465 of unrestricted cash for Producers Direct during 2020, ensuring Producers Direct's unrestricted cash reserves are well within target by end 2020. During 2020, the Trustees of Producers Direct also plan to change the organisation's reserve policy, to ensure that its unrestricted cash reserves are sufficient to cover at least six months of minimum operating costs of the charity on an ongoing basis.

Fundraising

During 2019, 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 2019/2020 and future periods in order to sustain and grow programme activities in East Africa and Latin America and support organisational growth. As a result of this annual expenditure on fundraising, Producers Direct received and benefited from funding from the following key donors during 2019:

East Africa

- World Bank's Development Data Innovation Award: The final year of funding (£48,204) 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: £61,172 funding for Youth Direct during 2019, 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: £188,943 of follow-up funding secured for expenditure during 2019, to scale successful components of the original GRP project, including

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advancing the farmer-led data systems and youth-led value addition and market access work in Kenya, Tanzania and Uganda.

- Producer partner organisations Sireet OEP (Kenya) and Kayonza Tea Growers Factory (Uganda): £11,811 to support Producers Direct's market access work in East Africa. This represents the second tranche of funding confirmed from Sireet OEP (Kenya) and Kayonza Tea Growers Factory (Uganda) over the period 2018–2020.
- Innovate UK Agri-tech 7 Fund: £16,745 through a sub-grant on a project led by Climate Edge to support low-cost soil testing approaches and data feedback mechanisms for smallholders in Kenya.

Latin America

- The Community Fund: £46,187 for the final 12 months of the four-year programme in Peru, *Innovation by Smallholders to enhance Productivity, Incomes, Resources and Enterprise (INSPIRE)*.
- Henri@Nestle: £27,786 secured for expenditure during 2019, representing the remaining balance of the 50,000 CHF award from the Henri@Nestle challenge on youth agri-entrepreneurship won in 2018.
- Rikolto: £4,941 to support the further development of Chirinos' Centre of Excellence in coffee quality, and youth leadership development within coffee communities in Peru.
- Pret a Manger Coffee Fund: £47,500, representing the first tranche of a £150,000 12-month programme from November 2019, supporting investment in youth leadership within coffee value chains, in partnership with the producer coffee cooperative, Cenfrocafe, in Peru.

Unrestricted Income

- Cafédirect plc: During 2019, Producers Direct received an annual donation of £100,000 from Cafédirect plc, in accordance with Producer Direct's multi-year Donation Agreement with Cafédirect plc.

Repayments on micro-loans distributed:

- £49,988 in repayments of micro-loans distributed to producer partners during 2017, as detailed above on page 7.

Plans for the future

Future Programme Focus Areas

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.

2020 Covid-19 Impacts and Response

In early 2020, Producers Direct rapidly re-planned 2020 activities and budgets in response to Covid-19. Key Covid-19 impacts on the smallholder communities where Producer Direct works across East Africa and Latin America have included (1) Most smallholders are >60 years, placing them in the highest risk category for Covid-19; (2) Travel restrictions have limited smallholders' in-person access to markets, seasonal labour, training and inputs (3) Volatility in national and international markets, and supply chain uncertainty.

In response, programme activities were managed through an adaptive approach – prioritising two-way communication and feedback with all smallholder producer organisations we work with to better understand immediate Covid-19 risks that smallholders are facing and priorities to respond. For this we used a range of digital communication channels, including SMS, WhatsApp and virtual meetings. Informed by this farmer feedback, we developed our Producers Direct Covid-19 Response plan, outlining key 2020 action priorities that jointly address immediate Covid-19 challenges farmers are facing and align with Producers Direct's overall 2017–2020 strategic priorities and goals to enhance smallholder productivity and incomes, particularly for women and youth.

2020 programme areas were updated to include:

Enhanced Focus on Digitising Farmer-led Support Services: All in-person farmer trainings were paused in early 2020, with programme investment re-directed into enhancing the digitisation of our farmer-led support services. We have invested significantly in the farmer-led design of digital tools enabling us to build upon this capacity during this time of restricted movement. This has

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included the rapid design, development, testing and dissemination of digitised information and training services for smallholders that address priority Covid-19 challenges they face – including on Health and Safety information and Food security crop training materials to support farmers with immediate food needs while their physical access to food markets is restricted.

2020 activities delivered by Producers Direct as part of MercyCorps' Covid-19 response campaign (detailed below in '2020 Funding') achieved the following results: 1,112,210 smallholders across East Africa and Latin America received information materials on Covid-19 Health and Safety and Food Security crops through a range of analogue and digital channels – including SMS, WhatsApp, Radio and Posters. An independent evaluation undertaken by the Busara Centre for Behavioural Economics in September 2020 found 87% of farmers stated that their knowledge of Covid-19 risks and how to manage them had increased, with statistically significant increases in farmer knowledge, attitude and behaviours – in health and farming content. Other farmer-led training modules have also been made available digitally, including digitising training on agri-enterprises such as beekeeping and horticulture, and disseminating materials to smallholders through both FarmDirect and WhatsApp groups established to support farmers and youth leaders with advice and peer-to-peer learning opportunities.

Market Access Opportunities: Original 2020 plans included supporting each Centre of Excellence to structure value chains for diversification crops, aggregate products and supporting smallholders more effectively access local and national markets for their crops, in addition to testing the viability of selling products under the Producers Direct brand in the local and national markets where each Centre of Excellence is operating. A joint focus on in-person and digital approaches to supporting smallholders access markets was initially planned, including further developing FarmDirect's functionality to support farmers with: 1) increased market visibility, 2) enhanced pricing and payment traceability; and 3) improved access and links to buyers.

Responding to restrictions on farmers being able to physically access markets to sell their products and connect with buyers in-person, early 2020 activities were re-planned with enhanced focus on supporting smallholders to use FarmDirect – our digital platform, to support farmers, mainly women, to digitally aggregate and connect with buyers for their surplus food crops. During mid-2020, in-person activities were initiated. Plans to trial the sale of honey from smallholders under the Producers Direct brand in Nairobi were disrupted during the pandemic's early stages, as movement restrictions prevented raw material transportation. However, under adapted plans, the first batch of branded Producers Direct honey was produced in August 2020, with sales trials initiated from September 2020. Market research evidences increased consumer demand for honey during Covid 19 due to its health benefits, driving further opportunity for us to deliver a successful product sales pilot during the second half of 2020 / early 2021.

Investment in Youth Leaders Networks: Our international network of youth leaders remains engaged and operational. In-person activities run by youth to support smallholders access markets for their products were significantly reduced during the first half of 2020. However, focus on digitising training modules to support youth leadership development has been strengthened, including the trailing of content delivery and learning experiences across a range of multimedia

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formats (video, podcasts, SMS), depending on the participating youth leaders' access to technology and connectivity.

Future funding

Funds secured to support 2020 programme activities and operations include:

Restricted Income: East Africa

- Innovate UK Agri-tech 9: £73,000 secured for Producers Direct, sub-granted from Climate Edge, over 24 months from August 2020 to support the expansion of the initial soil kit testing work undertaken in 2019, and trial low-cost advisory services to support soil quality management.
- Innovate UK Global Challenges Research Fund (GCRF): £17,910 secured for Producers Direct, sub-granted from Climate Edge, over 6 months from March 2020 to support the testing of software that enables producer organisations to more effectively provide digital advisory services to smallholders.
- Mercy Corps Agri-Fin: \$US 20,000 secured over 5 months from June 2020 to support Covid-19 support for smallholder farmers, including through the development and dissemination of Covid-19 Health and Safety Information materials to smallholder farmers across East Africa.
- CAF Venturesome: £50,000 debt finance (6% interest, 5-year repayment terms) secured to support the development and testing of Producers Direct branded honey sales in East Africa.

Restricted Income: Latin America

- Pret a Manger Coffee Fund: £150,000 secured for expenditure from October 2019 to December 2020 to strengthen youth leadership within coffee value chains, in partnership with the producer coffee cooperative Cenfrocafe in Peru.
- World Food Programme (WFP) Innovation Accelerator and WFP Peru: \$US 79,180 secured for expenditure during 2020 to test Producers Direct's 'Digital Cooperative' concept and its potential to support women smallholders in Las Lomas, Peru, to aggregate and collectively sell their surplus food crops to enhance their incomes.
- 2020 INSPIRE Challenge: In October 2020, Producers Direct was one of the 2020 Inspire Challenge winners – hosted by the CGIAR's Platform for Big Data in Agriculture. The \$US 100,000 prize will support activities from November 2020 to December 2021 to support smallholders access yield prediction data for their crops – starting with coffee, and provide field-level data to enable continual improvement of the yield predictions generated by AI and machine learning models. Activities will primarily focus on Peru, but also involve testing with smallholders in Uganda.

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Unrestricted Income

- Producer Direct's ongoing Donation Agreement with Cafédirect plc. During 2020, Producers Direct received an annual donation of £100,000 from Cafédirect plc.
- UK Government Bounce Back Loan: A £50,000 loan (2.5% interest after the first 12 months, 5 year repayment terms) was secured in June 2020 to support cash flow management.
- Wefarm Share sale: In October 2020, Producers Direct sold 610,825 of its 800,000 shares in Wefarm at a price of £1.908 per share, raising £1,165,465.46 of unrestricted cash income from the sale of this fixed asset.

Additional 2020 priorities include:

- Tight cash flow management and forecasting throughout 2020 in response to the financial impacts of Covid-19, including delays in the disbursement of committed donor funds and changes in donor funding priorities in response to Covid-19.
- Development and management of a specific Covid-19 risk mitigation plan, with key risks identified including:
 - Producers Direct Team and Operations: Risks of operational disruptions and team productivity as a result of all team members working from home, and experiencing high levels of uncertainty.
 - Smallholder communities: Health concerns for rural communities worldwide, particularly as the aging farmer demographic across our network places them within the high risk Covid-19 category; Anticipated disruption of operations and business performance of our producer partners; Mid-term food and income security challenges as a consequence of food production and local market sales being detrimentally impacted if farmers do fall ill; Increased challenges sourcing farm labour from non-local labourers, whose movement might now be restricted.
 - Donor Funding: Potential risks that donors pause funding commitments and/or delay payments, with consequential impacts on Producers Direct's cash flow.
- Monthly meetings of the Producers Direct Board from March to September 2020, to support the management and mitigation of potential risks outlined above to Producers Direct programmes, smallholder producer partners, operations and staff arising as a consequence of Covid-19.
- Continued investment in enabling the Producers Direct team to work safely and effectively across all geographies, including attention to the team's mental health and wellbeing throughout the year in response to changing national policies and restrictions in place to manage Covid-19.

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

Producer 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. 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.

The Producers Direct Board of Trustees is responsible for approving Producers Direct's annual work plan, budget and long-term strategy development. Trustees are also responsible for ensuring Producers Direct upholds good practice and maintains up-to-date policies on all key issues required to ensure good Producers Direct's governance and day-to-day management, including with respect to safeguarding, equality and diversity. Producers Direct upholds a commitment to ensuring strong diversity across its Board of Trustees and Management team, reflecting the rich diversity of cultures represented across our international network.

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 2019, five Board meetings were held and update reports provided. Face-to-face Board meetings

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were held in March, June, September and December 2019, with one Board teleconference convened in July 2019.

Producers Direct has a Board sub-committee established to oversee Producers Direct Procurement processes. This sub-committee comprises two staff and one trustee representative. Lebi Hudson is the appointed trustee representative. During 2019, the Procurement sub-committee met four times. In previous years, a Board sub-committee had been established for oversight of matters concerning Producers Direct's shareholding in Wefarm. During 2019, all matters pertaining to Wefarm investment were overseen during the Board meetings. Throughout 2019, Lebi Hudson served as the Producers Direct Chair 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 duration of 2019 Producers Direct employed 4 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.
- An Investments Coordinator, responsible for supporting Producers Direct fundraising and operational activities.

Throughout 2019, Producers Direct maintained its local branch status in Kenya. During 2019, 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.

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- A Finance and Operations Manager, responsible for the day-to-day financial management for Producers Direct's finances overall (not solely Kenya), and the operational management of Producers Direct's local branch in Kenya.
- An Africa Coordinator, responsible for coordinating programme activities across Producers Direct's Centre of Excellence network in East Africa and managing annual work plans for each of the four East African Centres of Excellence.
- A User Centred Developer, responsible for the design and development of Producers Direct's farmer-led data activities, including FarmDirect.

During 2019, 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 coordinators throughout 2019, one in Haiti and two in Peru, to support the delivery of Producers Direct programmes in Latin America, and additional fundraising and administrative services to support the growth of Producers Direct's operations and programme activities in Peru.

Employee Remuneration

Producers Direct staff salaries are reviewed annually for all employees. Salary reviews consider 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 shortlists 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 agreement was extended for an additional 3-years from January 2020.

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 2019, Producers Direct held a shareholding in Wefarm of less than 6.5%. Producers Direct is also represented on the Wefarm Board and held the right to a Wefarm Board seat throughout 2019.

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.

Producers Direct

Trustees' annual report

For the year ended 31 December 2019

- 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.

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 2019 was 1, Cafédirect Producers Limited being the sole member of the charity (2018: 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 7 December 2020 and signed on their behalf by

Mr L G Hudson

Chair, 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 2019 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 2019 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.

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

Independent auditor's report

To the members of

Producers Direct

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 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
- The trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

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.

Independent auditor's report

To the members of

Producers Direct

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 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.

Independent auditor's report

To the members of

Producers Direct

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)

15 December 2020

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 2019

		Unrestricted £	Restricted £	2019 £	Unrestricted £	Restricted £	2018 £
Income from:	Note						
Donations and legacies	2	124,004	-	124,004	149,549	-	149,549
Charitable activities							
Africa Programmes	3	-	326,875	326,875	-	434,546	434,546
Latin America Programme	3	-	129,049	129,049	-	161,717	161,717
Investments		1,517	-	1,517	3,064	-	3,064
Total income		125,521	455,924	581,445	152,613	596,263	748,876
Expenditure on:							
Raising funds	4a	43,201	-	43,201	17,946	-	17,946
Charitable activities							
Africa Programmes	4a	102,237	403,302	505,539	165,588	386,109	551,697
Latin America Programme	4a	36,903	145,570	182,473	48,513	126,663	175,176
Total expenditure		182,341	548,872	731,213	232,047	512,772	744,819
Net income / (expenditure) before net gains / (losses) on investments		(56,820)	(92,948)	(149,768)	(79,434)	83,491	4,057
Net gains / (losses) on investments		1,551,200	-	1,551,200	-	-	-
Net income / (expenditure) for the year	5	1,494,380	(92,948)	1,401,432	(79,434)	83,491	4,057
Net income / (expenditure) after transfers		1,494,380	(92,948)	1,401,432	(79,434)	83,491	4,057
Net movement in funds		1,494,380	(92,948)	1,401,432	(79,434)	83,491	4,057
Reconciliation of funds:							
Total funds brought forward		57,007	119,702	176,709	136,441	36,211	172,652
Total funds carried forward		1,551,387	26,754	1,578,141	57,007	119,702	176,709

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 2019

	Note	2019		2018	
		£	£	£	£
Fixed assets:					
Tangible assets	10		2,660		5,101
Investments	11		1,552,000		800
			<u>1,554,660</u>		<u>5,901</u>
Current assets:					
Programme related investments	13	3,240		53,228	
Debtors	12	131,422		45,201	
Cash at bank and in hand		6,003		114,272	
			<u>140,665</u>	<u>212,701</u>	
Liabilities:					
Creditors: amounts falling due within one year	14	(117,184)		(41,893)	
Net current assets			<u>23,481</u>		<u>170,808</u>
Total net assets			<u><u>1,578,141</u></u>		<u><u>176,709</u></u>
The funds of the charity:					
Restricted income funds	17a		26,754		119,702
Unrestricted income funds:					
General funds		1,551,387		57,007	
			<u>1,551,387</u>	<u>57,007</u>	
Total unrestricted funds			<u>1,551,387</u>	<u>57,007</u>	
Total charity funds			<u><u>1,578,141</u></u>	<u><u>176,709</u></u>	

Approved by the trustees on 7 December 2020 and signed on their behalf by

Penny Newman

Trustee, Producers Direct

Producers Direct

Statement of cash flows

For the year ended 31 December 2019

	Note	2019 £	£	2018 £	£
Cash flows from operating activities					
Net income / (expenditure) for the reporting period (as per the statement of financial activities)		1,401,432		4,058	
Depreciation charges		2,763		2,283	
(Gains)/losses on investments		(1,551,200)		-	
Dividends, interest and rent from investments		1,517		3,064	
Decrease in debtors		(86,221)		7,712	
(Decrease)/increase in creditors		75,292		(63,259)	
Net cash (used in) operating activities		(156,418)		(46,142)	
Cash flows from investing activities:					
Dividends, interest and rents from investments		(1,517)		(3,064)	
Cash received on repayment of programme related investments		49,988		58,432	
Purchase of fixed assets		(323)		(3,400)	
Net cash provided by/(used in) investing activities		48,148		51,968	
Change in cash and cash equivalents in the year		(108,270)		5,826	
Cash and cash equivalents at the beginning of the year		114,273		108,447	
Cash and cash equivalents at the end of the year		6,003		114,273	

a Analysis of cash and cash equivalents

	At 1 January 2019 £	Cash flows £	Other changes £	At 31 December 2019 £
Cash at bank and in hand	114,273	(108,270)	-	6,003
Overdraft facility repayable on demand	-	-	-	-
Total cash and cash equivalents	114,273	(108,270)	-	6,003

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) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) 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 | 73% |
| ▪ Latin America Programme | 27% |

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

	Unrestricted £	Restricted £	Total 2019 £	Unrestricted £	Restricted £	Total 2018 £
Donations	124,004	-	124,004	149,549	-	149,549
	124,004	-	124,004	149,549	-	149,549

3 Income from charitable activities

	Unrestricted £	Restricted £	Total 2019 £	Unrestricted £	Restricted £	Total 2018 £
East Africa Programme						
GHR Foundation	-	61,172	61,172	-	134,339	134,339
World Bank	-	48,204	48,204	-	143,115	143,115
Global Resilience Partnership	-	188,943	188,943	-	137,818	137,818
Producer Partners	-	11,811	11,811	-	15,774	15,774
Fairtrade Foundation	-	-	-	-	3,500	3,500
Innovate UK – Agritech 7	-	16,745	16,745	-	-	-
Sub-total for East Africa Programme	-	326,875	326,875	-	434,546	434,546
Latin America Programme						
Big Lottery	-	46,187	46,187	-	147,901	147,901
HenriNestle	-	27,786	27,786	-	11,449	11,449
Rikolto	-	4,941	4,941	-	2,367	2,367
Pret a Manger		47,500	47,500			
World Food Programme		1,089	1,089			
Peru Partners	-	1,546	1,546	-	-	-
Sub-total for Latin America Programme	-	129,049	129,049	-	161,717	161,717
Total income from charitable activities	-	455,924	455,924	-	596,263	596,263

Producers Direct

Notes to the financial statements

For the year ended 31 December 2019

4a Analysis of expenditure (current year)

	Charitable activities					2019 Total £	2018 Total £
	Raising funds £	East Africa Programme £	Latin America Programme £	Governance costs £	Support costs £		
Staff costs (Note 6)	43,201	169,144	15,036	–	41,355	268,736	253,270
Direct programme expenditure	–	220,993	125,224	–	27,737	373,954	390,016
Costs of generating funds: Other expenditure	–	–	–	–	–	–	–
Office costs	–	20,638	6,210	8,530	23,918	59,296	63,694
Audit, legal and professional fees	–	3,370	3,013	9,298	13,545	29,226	37,838
	43,201	414,145	149,483	17,828	106,555	731,213	744,818
Support and governance costs	–	91,395	32,988	(17,828)	(106,555)	–	–
Total expenditure 2019	43,201	505,539	182,472	–	–	731,213	
Total expenditure 2018	17,946	551,696	175,176	–	–		744,818

Producers Direct

Notes to the financial statements

For the year ended 31 December 2019

4b Analysis of expenditure (prior year)

	Charitable activities					2018 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
Direct programme expenditure	-	224,689	113,783	-	51,544	390,016
Costs of generating funds: Other expenditure	-	-	-	-	-	-
Office costs	-	24,332	6,764	-	32,598	63,694
Audit, legal and professional fees	-	-	-	37,838	-	37,838
	17,946	400,419	127,142	37,838	161,473	744,818
Support and governance costs	-	151,277	48,034	(37,838)	(161,473)	-
Governance costs	-	-	-	-	-	-
Total expenditure 2018	17,946	551,696	175,176	-	-	744,818

Producers Direct

Notes to the financial statements

For the year ended 31 December 2019

5 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2019 £	2018 £
Depreciation	2,763	2,283
Auditor's remuneration (excluding VAT):		
Audit	7,400	5,900
Other services: GRP Project Audit during 2018	-	8,500
	<u> </u>	<u> </u>

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

Staff costs were as follows:

	2019 £	2018 £
Salaries and wages	235,412	220,744
Social security costs	14,139	16,357
Employer's contribution to defined contribution pension schemes	19,185	16,169
	<u> </u>	<u> </u>
	<u>268,736</u>	<u>253,270</u>

No employee earned more than £60,000 during the year (2018: nil).

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £60,469 (2018: £48,756).

The charity trustees were neither paid nor received any other benefits from employment with the charity in the year (2018: nil). No charity trustee received payment for professional or other services supplied to the charity (2018: nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £1,991 (2018: £1,532) incurred by 4 (2018: 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 8 (2018: 9).

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

	2019 No.	2018 No.
Raising funds	1.3	0.6
East Africa Programmes	5.0	5.5
Latin America Programmes	0.4	-
Support	1.2	2.7
	<u> </u>	<u> </u>
	<u>8.0</u>	<u>8.8</u>

Producers Direct

Notes to the financial statements

For the year ended 31 December 2019

8 Related party transactions

Aggregate donations from related parties were £100,000; (2018: £100,000).

Other transactions with related parties: Service Charge agreement paid from Producers Direct to Cafédirect: £20,565 (2018: £19,954); 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.

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	
	2019	2018
	£	£
Cost		
At the start of the year	17,449	14,049
Additions in year	323	3,400
Disposals in year	-	-
	<hr/>	<hr/>
At the end of the year	17,772	17,449
Depreciation		
At the start of the year	12,348	10,065
Charge for the year	2,763	2,283
Eliminated on disposal	-	-
	<hr/>	<hr/>
At the end of the year	15,111	12,348
Net book value		
At the end of the year	<hr/> <hr/> 2,660	<hr/> <hr/> 5,101
At the start of the year	<hr/> <hr/> 5,101	<hr/> <hr/> 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 2019

11 Fixed asset investments

	2019 £	2018 £
Cost at the start of the year	800	800
Net gain / (loss) on change in fair value	1,551,200	–
	<u>1,552,000</u>	<u>800</u>

The net gain in fixed asset investments during 2019 is due to the revaluation of Producers Direct's investment in Wefarm. From 2015 through until the end of 2018, Producers Direct has maintained the fixed asset value of its shareholding in Wefarm at £800. At the end of 2019, Producers Direct's shareholding in Wefarm was therefore revalued at 800,000 shares at £1.94 per share. This end 2019 valuation of £1,552,000 is based on the 2020 post-balance sheet event described in Note 19 below, during which Producers Direct sold 610,825 of its 800,000 shares at a price of £1.94 per share.

12 Debtors

	2019 £	2018 £
Trade debtors	91,731	27,796
Prepayments and accrued income	39,692	17,405
	<u>131,422</u>	<u>45,201</u>

13 Programme related investments

	2019 £	2018 £
Fair value at the start of the year	53,228	111,660
Repayment of loans	(49,988)	(58,432)
Fair value at the end of the year	<u>3,240</u>	<u>53,228</u>

Investments comprise:

	2019 £	2018 £
Loans		
Kayonza Growers Tea Factory Ltd	–	5,886
Sireet Outgrowers Empowerment and Producer Company Ltd	–	18,092
Ankole Coffee Producers Cooperative Union Ltd	–	12,697
Misozi Coffee	3,240	16,553
	<u>3,240</u>	<u>53,228</u>

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.

Producers Direct

Notes to the financial statements

For the year ended 31 December 2019

14 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	83,332	18,546
Taxation and social security	3,517	3,476
Accruals	30,335	19,871
	<u>117,184</u>	<u>41,893</u>

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.

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

	General unrestricted £	Restricted £	Total funds £
Tangible fixed assets	–	2,660	2,660
Investments	1,552,000	–	1,552,000
Net current assets	(613)	24,094	23,480
Net assets at 31 Dec 2018	<u>1,551,387</u>	<u>26,754</u>	<u>1,578,141</u>

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

	General unrestricted £	Restricted £	Total funds £
Tangible fixed assets	–	5,101	5,101
Investments	800	–	800
Net current assets	56,207	114,602	170,809
Net assets at 31 Dec 2017	<u>57,007</u>	<u>119,703</u>	<u>176,710</u>

Producers Direct

Notes to the financial statements

For the year ended 31 December 2019

17a Movements in funds (current year)

	At 1 January 2019 £	Income & gains £	Expenditure & losses £	Transfers £	At 31 December 2019 £
Restricted funds:					
Africa – Global Resilience Partnership	(23,714)	188,943	(167,815)	–	(2,586)
Africa – World Bank	14,911	48,204	(63,278)	–	(163)
Africa – GHR	76,128	61,172	(130,012)	–	7,288
Africa – Innovate UK AgriTech	–	16,745	(16,774)	–	(29)
Africa – Producer Partners	9,714	11,811	(21,504)	–	21
Latin America – Community Fund (previously Big Lottery)	42,065	46,187	(88,247)	–	5
Latin America – Pret		47,500	(26,021)		21,479
Latin America – HenriNestle	259	27,786	(28,040)	–	5
Latin America – World Food Programme		1,089	(410)		679
Latin America – Peru Partners		1,546	(1,539)		7
Latin America – Rikolto	339	4,941	(5,232)	–	48
Total restricted funds	119,702	455,924	(548,872)	–	26,754
Unrestricted funds:					
General funds	57,007	1,676,721	(182,341)	–	1,551,387
Total unrestricted funds	57,007	1,676,721	(182,341)	–	1,551,387
Total funds	176,709	2,132,645	(731,213)	–	1,578,141

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

17b Movements in funds (prior 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

Purposes of restricted funds

Africa – Global Resilience Partnership: Originally 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. Scaling funds were subsequently awarded to continue project activities in Africa – Global Resilience Partnership: Originally 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. Scaling funds were subsequently awarded to continue project activities in early 2019 for an additional 6 months.

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 – 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 – Innovate UK AgriTech: £GBP 16,745 awarded as part of a consortium grant led by Climate Edge in partnership with Cranfield University and Sireet OEP, funded by Innovate UK to support farmers with low-cost soil testing kits and supporting data analysis.

Purposes of restricted funds (continued)

Africa – Producer Partners: Funding 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.

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 UK Community Fund (previously 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: 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 – Pret a Manger: Funding to support Peruvian Partners, particularly Cenfrocafe, to implement a youth leadership training programme to support inter-generational sustainability of coffee supply chains. £150,000 over 12 months from October 2019.

Latin America – Producer Partners: Funding from Peruvian producer partners to undertake a market research study on opportunities for income generation from the sale of diversification crops.

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 2019, Cafédirect Producers Limited.