

**Registered charity number: 1137523**

Registered company number: 7293440

**THE PROFOREST INITIATIVE  
(A COMPANY LIMITED BY GUARANTEE)**

**ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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The Proforest Initiative is a Registered Charity and Company  
Limited by Guarantee registered in England and Wales, No. 7293440

## THE PROFOREST INITIATIVE

### LEGAL AND ADMINISTRATIVE INFORMATION

Registered charity number:	1137523
Registered company number:	7293440
Principal and registered office:	Frewin Chambers Frewin Court Oxford OX1 3HZ
Bankers:	HSBC plc 65 Cornmarket Street Oxford OX1 3HY
Independent auditors:	Critchleys Audit LLP Beaver House 23 – 38 Hythe Bridge Street Oxford OX1 2EP
Legal advisors:	Blake Morgan Seacourt Tower West Way Oxford OX2 0FB
Directors/trustees	R J Cooper (Chair) I Dodo (resigned 09/12/2020) M Abreu E J Fripp I A R Smyth M Hobley

The directors of the charitable company (the charity) are also its trustees for the purpose of charity law.

**THE PROFOREST INITIATIVE**

**REPORT OF THE BOARD OF TRUSTEES**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

The Trustees are pleased to present their report together with the financial statements of the charity for the year ended 31 December 2020. Legal and administrative information set out on page 1 forms part of this report. The financial statements comply with the Charities Act 2011, the Companies Act 2006 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

**Structure, Governance & Management**

The Proforest Initiative is a company limited by guarantee (registered at Cardiff on 23 June 2010) and a charity (registered on 17 August 2010) governed by its Memorandum and Articles of Association. Charity number: 1137523. Company number: 7293440.

The directors of the charitable company ('the Charity') are its trustees for the purpose of Charity Law and throughout this report are collectively referred to as the Trustees.

The number of Trustees is at least three, and not more than six. Trustees serve for an initial term of three years and approximately one third of Trustees retire at each AGM. A Trustee may volunteer to stay on the Board for a second period of three years. The trustees meet approximately quarterly, by telephone if they so agree, but in person at least once a year.

The Trustees serving during 2020 were as follows:

R J Cooper (Chair)  
 I Dodoo (resigned 09/12/2020)  
 M Abreu  
 E J Fripp  
 I A R Smyth  
 M Hobley

Under the Memorandum and Articles of Association, the Charity has the power to make any investment, but only after obtaining such advice from a financial expert as the Trustees consider necessary, and having regard to the suitability of investments and the need for diversification. No investment has been made to date.

**Pay policy for senior staff**

The board of directors, who are the Charity's Trustees, and the senior management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Charity on a day to day basis. All Trustees give of their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses are disclosed in note 4 to the accounts.

The pay of the senior staff is reviewed annually and normally increased in line with inflation. The Board of Trustees sign off on pay reviews for senior staff.

## THE PROFOREST INITIATIVE

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### Objectives & Activities

1. To promote for the benefit of the public conservation and improvement of the physical and natural environment by promoting sustainable development by:
  - 1.1. The preservation, conservation and the protection of the environment and the prudent use of resources,
  - 1.2. The relief of poverty and the improvement of the conditions of life in socially and economically disadvantaged communities,
  - 1.3. the promotion of sustainable means of achieving economic growth and regeneration.

Sustainable development means development which meets the needs of the present without compromising the ability of future generations to meet their own needs.
2. To advance the education of the public in the conservation, protection and improvement of the physical and natural environment relating to sustainable development and the protection, enhancement and rehabilitation of the environment.

During the year ended 31 December 2020, the Charity received funding to carry out a variety of activities to support implementation of its programmes to improve the environmental and social sustainability of agriculture and forestry commodity production and sourcing. These programmes included work in Africa, Latin America and Southeast Asia on the implementation of sustainable production practices for major commodity crops. To this end, the Charity supported the private sector to work in alignment with government action to reduce deforestation, developed tools to enable agricultural commodity buyers to reduce the environmental and social impacts of their supply chains; and supported large-scale collaborative approaches to sustainable land management.

The Charity made particular progress in facilitating collaborative “landscape” approaches to land management that bring together private sector, government and civil society organisations. These focused on oil palm producing landscapes in Indonesia, as well as cocoa-producing areas in Ghana. Efforts to bring together private and public sectors to deliver on countries’ climate commitments by reducing deforestation were also supported in other countries in Africa and Latin America. Work continued to convene governments, private sector and civil society across 10 countries in West and Central Africa to agree action plans for the sustainable expansion of oil palm.

The Charity carried out a range of capacity building activities. New resources were produced and shared to help soy buyers implement their commitments to responsible sourcing of soy from Brazil. The Charity supported a new local practitioners’ network to facilitate village-level capacity building in Indonesia to gain legal status. Due to the Covid-19 pandemic, much of the Charity’s capacity building activities were moved on-line, resulting in a significant opportunity to expand on-line training in a range of sustainability topics, including conflict management in multistakeholder processes, ‘Free, Prior and Informed Consent’ for land use, and gender awareness in agro-commodity production. The move to on-line also made the training available to a wider range of participants, including a higher proportion of women than previously.

Over the year, the Charity provided significant technical support to organisations developing standards and methodologies for defining, implementing and assessing the sustainable management of agricultural production. This included facilitation support to the Roundtable on Sustainable Palm Oil to develop new procedures around shared responsibility for sustainability through the palm oil value chain, and inputs to the SourceUp sustainable sourcing platform and LandScale.

## THE PROFOREST INITIATIVE

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

The Charity was involved in fundraising activities for future projects related to the responsible management of agricultural commodities to enhance conservation and improve living conditions of workers and local communities around the world. These activities resulted in several grants of between one and three years' duration being obtained.

The Trustees developed and implemented policies and procedures to govern the charity's relationship with third parties, and to strengthen the management and transparency of the charity.

The Trustees confirm that they have complied with the duty in section 17(5) of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission.

#### Financial Review & Reserves Policy

During 2020, the Charity saw a decrease on both income and expenditure of unrestricted charitable activities, with a net income of £22,850 (2019: £37,374) due to a combination of increased (predominantly due to losses on revaluation of foreign currency balances) fixed costs, decreased contributions towards fixed costs, and higher margins on our sustainability initiatives. These initiatives are where the Charity provides technical support to organisations developing standards and safeguards to promote better management of natural resources.

In 2020 our net expenditure on restricted activities was £107,598 compared to net income of £14,146 in 2019. The Charity's restricted funds carried forward has decreased by 85% compared to 2019.

Our programme delivery was funded by grants from donors such as FCDO's (formerly DfID) Forest Governance, Markets and Climate (FGMC) programme, Partnership for Forests (P4F) programme, WWF-US (funded by Global Environmental Facility and Collaboration for Forests and Agriculture (GEF), and The Federal Republic of Germany Ministry for the Environment, Nature Conservation and Nuclear Safety's International Climate Initiative (IKI).

The Proforest Initiative has a policy of building and maintaining reserves approximately equal to six months (50%) of the annual running costs in order to ensure the organisation can deal with fluctuations in income and payment schedules. In addition to the agreed level of operational reserves, the charity also chooses to retain a certain level of additional reserves approximately equal to 15% of annual running costs, to act as a buffer against significant future foreign exchange rate fluctuations and direct programme related expenses not covered by grant or donor funding. Proforest Ltd agrees to underwrite the Proforest Initiative should adequate reserves not be available.

The reserve levels are reviewed annually by the Trustees, as part of the review of the accounts and, where the unrestricted reserves are not at the required level, a strategy for adjusting the reserves over the following year will be agreed. The unrestricted reserves held at 31 December 2020 are £431K.

The current reserve level is above the annual operating cost of the Charity. Any surplus above requirement also provides a useful short-term additional reserve, during the continued uncertainty of Brexit and potential economic impact of the COVID-19 pandemic. One year on, we still face uncertainty surrounding Brexit and Covid, however it is the opinion of the Trustees that there is no significant effect on the charity's activities and going concern status.

During 2020 the Trustees approved a £50k budget from unrestricted reserves, to support the development of an electronic training platform. £30k has been utilised as at 31 December 2020.

## THE PROFOREST INITIATIVE

### REPORT OF THE BOARD OF TRUSTEES (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### Risk Management

The major risks to which the Charity is exposed, as identified by the Trustees, have been reviewed and systems or procedures have been established to manage those risks. A risk management matrix details risks and confirms the procedures in place and is reviewed and approved each year. As several programmes include work in high risk countries (post-conflict or limited infrastructure to respond to accidents and emergencies) work plans are reviewed and, if necessary amended, to respond to any risk which cannot be adequately mitigated.

#### Future plans

The Charity is in a strong position to build its international and regional programmes over the next few years. The main plans for the next three years are:

- Leverage private sector commitments to sustainability: Support accelerated implementation of private sector commitments to exclude deforestation and exploitation from their own supply chains and support wider initiatives for responsible production beyond their supply chains.
- Support action in production landscapes: Develop effective ways for private sector companies to engage meaningfully with government, civil society and other actors in production landscapes, to facilitate the implementation of responsible production practices.
- Facilitate multi-stakeholder sustainability initiatives: Provide technical support for organisations developing standards, processes and safeguards to promote better management of natural resources.
- Develop toolkits and guidance: Support companies sourcing or investing in soy, beef and palm oil in Latin America and Southeast Asia, to help them ensure commodity production does not contribute to deforestation and other adverse environmental and social impacts.
- China: Support the development and use of tools and guidance in Chinese markets, to increase the sustainability of agricultural commodity sourcing and investment by Chinese companies
- Human rights: develop approaches to ensure human rights are respected in agricultural commodity production and sourcing. This includes labour, land, indigenous people and communities, child and gender rights, among others.
- Training and capacity building: expand training courses, on-line resources and practical on-the-ground experience for local sustainability practitioners in Africa, Latin America and Asia.
- Smallholders and livelihoods: work with partners to support the equitable integration of smallholder producers into responsible global supply chains of commodity crops.

The Trustees are overseeing the implementation of improved management and reporting systems.

#### Trustees' responsibilities

The Trustees (who are also directors of The Proforest Initiative for the purposes of company law) are responsible for preparing the Trustees' 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 its income and expenditure for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

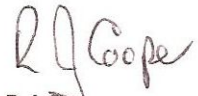
**THE PROFOREST INITIATIVE****REPORT OF THE BOARD OF TRUSTEES (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which 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 auditors are unaware, and
- 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 auditors are aware of that information.

Approved by the Board of Trustees on 15th June 2021 and signed on its behalf by:



**R J Cooper**  
(Trustee / Director)

**THE PROFOREST INITIATIVE**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS**  
**OF THE PROFOREST INITIATIVE**

**Opinion**

We have audited the financial statements of The Proforest Initiative for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2020 and of 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 Charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

**Other information**

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

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.

## THE PROFOREST INITIATIVE

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PROFOREST INITIATIVE (CONTINUED)

#### 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' report (incorporating the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report (incorporating the directors' report) have 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' 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 and proper 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' report and from the requirement to prepare a strategic report.

#### Responsibilities of the trustees

As explained more fully in the trustees' responsibilities statement [set out on page 5], the trustees 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Charity'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 Charity 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.

## THE PROFOREST INITIATIVE

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PROFOREST INITIATIVE (CONTINUED)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Charity through discussions with trustees and other management, and from our commercial knowledge and experience of the client's business sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Charity, including the Companies Act 2006 and the Charities Act 2011, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Charity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

## THE PROFOREST INITIATIVE

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PROFOREST INITIATIVE (CONTINUED)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors/trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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



**Robert Kirtland**

**Senior Statutory Auditor**

**For and on behalf of Critchleys Audit LLP, Statutory Auditor**

**Oxford**

**Date.....18 June 2021.....**

**THE PROFOREST INITIATIVE**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

		<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<b>Total</b>
	<b>Note</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Income and endowments from:</b>					
Donations and legacies	<b>2</b>	-	1,411,776	1,411,776	1,512,036
Charitable activities		558,548	-	558,548	614,574
Investments		<u>454</u>	<u>-</u>	<u>454</u>	<u>873</u>
<b>Total income</b>		<u>559,002</u>	<u>1,411,776</u>	<u>1,970,778</u>	<u>2,127,483</u>
<b>Expenditure on:</b>					
Charitable activities	<b>3</b>	<u>536,152</u>	<u>1,519,374</u>	<u>2,055,526</u>	<u>2,075,963</u>
<b>Total expenditure</b>		<u>536,152</u>	<u>1,519,374</u>	<u>2,055,526</u>	<u>2,075,963</u>
<b>Net (expenditure)/income</b>		22,850	(107,598)	(84,748)	51,520
Transfers between funds		<u>(1,356)</u>	<u>1,356</u>	<u>-</u>	<u>-</u>
<b>Net movement in funds</b>		21,494	(106,242)	(84,748)	51,520
Total funds brought forward		<u>409,579</u>	<u>120,380</u>	<u>529,959</u>	<u>478,439</u>
Total funds carried forward		<u>431,073</u>	<u>14,138</u>	<u>445,211</u>	<u>529,959</u>

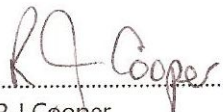
All activities are continuing. There were no gains or losses recognised during the year except those shown above. The Statement of Financial Activities incorporates the income and expenditure account for the year. As the company is limited by guarantee it is not considered appropriate to show a reconciliation of shareholders' funds.

**THE PROFOREST INITIATIVE**  
(Registered company number: 07293440)

**BALANCE SHEET**  
**AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>Current Assets</b>			
Debtors	5	266,093	319,587
Cash at bank and in hand		<u>779,889</u>	<u>596,662</u>
		1,045,982	916,249
<b>Creditors: amounts falling due within one year</b>	6	<u>(600,771)</u>	<u>(386,290)</u>
<b>Net current assets</b>		<u>445,211</u>	<u>529,959</u>
<b>Total assets less current liabilities</b>		<u>445,211</u>	<u>529,959</u>
<b>Net assets</b>		<u>445,211</u>	<u>529,959</u>
<b>Funds</b>			
Unrestricted	7	431,073	409,579
Restricted	7	<u>14,138</u>	<u>120,380</u>
<b>Total funds</b>		<u>445,211</u>	<u>529,959</u>

The accounts were approved and authorised for issue by the Board of Trustees on 15/06/2021 and signed on its behalf by:

  
.....  
R J Cooper  
(Director/Trustee)

**THE PROFOREST INITIATIVE**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	£	£
<b>Cash flows from operating activities</b>		
<b>Net (expenditure)/income for the reporting period</b>	(84,748)	51,520
<b>Adjustments for:</b>		
Decrease/(increase) in debtors	53,494	(33,298)
Increase/(decrease) in creditors	<u>214,481</u>	<u>(71,650)</u>
<b>Net cash generated by operating activities</b>	183,227	(53,428)
<b>Net cash provided by investing activities</b>	—	—
Change in cash and cash equivalents in the reporting period	183,227	(53,428)
Cash and cash equivalents at the beginning of the reporting period	<u>596,662</u>	<u>650,090</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	<u>779,889</u>	<u>596,662</u>

**THE PROFOREST INITIATIVE**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1 ACCOUNTING POLICIES**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the charitable company's accounts:

**a) Basis of accounting**

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

The Proforest Initiative meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements have been prepared on a going concern basis. The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

**b) Income** is generally recognised on a receivable basis and are reported gross of related expenditure, where the amounts are reasonably certain and when there is adequate certainty of receipt. Interest is included when receivable by the Charity.

**c) Expenditure** is accounted for on an accruals basis and gross of any related income. They are classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources.

- Costs of charitable activity comprises direct expenditure. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources.
- Governance costs include those costs, such as audit or independent examination fees and legal and professional fees, associated with constitutional and statutory requirements.

**d) Unrestricted general funds** are available for use at the discretion of the trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

**Restricted funds** can only be used for particular restricted purposes within the objects of the Charity. Where a donor has specified a particular purpose for a donation, the income is shown as restricted income in the Statement of Financial Activities. Any such income unexpended at the year end is shown as a restricted fund in the balance sheet. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

## THE PROFOREST INITIATIVE

### NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 20120

#### 1 ACCOUNTING POLICIES (CONTINUED)

e) The following acronyms are used in the notes to these accounts:

DFID	Department for International Development (UK)
FGMC	Forest Governance, Markets and Climate Programme
P4F	Partnerships for Forests
PN	Practitioners Network
RSPO-SS	Roundtable on Sustainable Palm Oil Smallholder Support
SHARP	Small Holder Acceleration and REDD+ programme
SISP	Sustainability Initiative Support Programme
TFA	Tropical Forest Alliance
WEF	World Economic Forum
GEF	Global Environment Facility

#### 2 Donations and legacies

	<b>Restricted 2020</b>	<b>Total 2020</b>	<b>Total 2019</b>
	£	£	£
DFID/Palladium – P4F TFA	-	-	99,805
WWF – US GEF Soy Brazil	233,044	233,044	215,692
WWF – US GEF Africa TFA	-	-	20,435
DFID/KPMG- FGMC 2018-21	611,292	611,292	762,564
DFIF/Palladium P4F TFA AP01 2019-2020	452,664	452,664	413,540
IKICall 2016	60,022	60,022	-
WWF US – GEF Asia Learning & Exchange+Cerrado Protocol	23,993	23,993	-
CDP 2020 – BEEF Toolkit	<u>30,761</u>	<u>30,761</u>	<u>-</u>
<b>Total grant income</b>	<b><u>1,411,776</u></b>	<b><u>1,411,776</u></b>	<b><u>1,512,036</u></b>

No donations were received in 2020 (2019: nil)

## THE PROFOREST INITIATIVE

### NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 3 EXPENDITURE ON CHARITABLE ACTIVITIES

The promotion of and education regarding sustainable development and the protection of the environment:

	2020	2019
	£	£
3 <sup>rd</sup> Party Sub Contractor costs	223,423	209,721
3 <sup>rd</sup> Party programme related expenses	83,808	118,351
RSS Partnership payments	54,007	52,870
Proforest Ltd - labour costs for programme delivery (a)	566,529	522,270
Proforest Ltd – programme expenses recharged (a)	28,663	105,792
Proforest Sdn Bhd – labour costs for programme delivery (b)	184,962	132,026
Proforest Sdn Bhd – programme expenses recharged (b)	67,931	61,422
Proforest Brazil – labour costs for programme delivery (c)	117,604	115,247
Proforest Brazil – programme expenses recharged (c)	11,452	19,361
Proforest Ghana-labour costs for programme delivery (d)	103,661	110,876
Proforest Ghana – programmes expenses recharged (d)	17,657	23,515
Proforest Africa Initiative (Ghana) – labour costs for programme delivery (e)	183,031	165,851
Proforest Africa Initiative (Ghana) – programme expenses recharged (e)	52,503	133,044
Proforest Latin America- labour costs for programme delivery (f)	36,328	3,369
Programme Development and fundraising	483	8,940
Management and administrative support (see note 4)	216,376	208,256
Office and establishment costs	98,934	74,715
Governance costs – Trustees’ meeting costs	2,712	5,435
Governance costs – Audit fees	4,550	4,550
Other expenses	<u>912</u>	<u>352</u>
	<u>2,055,526</u>	<u>2,075,963</u>

The Proforest Initiative shares human resources and offices with Proforest Ltd and Proforest Ltd covers all salary and office costs. During the year, the Proforest Initiative paid an agreed amount which covered the costs directly attributable to the delivery of programmes based on the staff time used. In addition, a large amount of direct programme expenses were paid by Proforest Ltd and then reimbursed by The Proforest Initiative. The items totalling £595,191 marked (a) represent programme related costs.

Proforest Sdn Bhd is a limited company registered in Malaysia. The Proforest Initiative occasionally contracts services from Proforest Sdn Bhd in order to deliver services locally in the region. The figure shown in (b) represents these costs.

Proforest Brazil is a registered Association in Brazil. During the year Proforest Brazil expended funds on the delivery of The Proforest Initiative programmes. The figure shown in (c) represents these costs.

Proforest Limited (Ghana) is a limited company registered in Ghana. During the year Proforest Limited (Ghana) expended funds on the delivery of The Proforest Initiative programmes. The figure shown in (d) represents these costs.

Proforest Africa Initiative is a registered charity in Ghana. During the year the charity expended funds on the delivery of the Proforest Initiative (UK) programmes. The figure shown in (e) represents these costs.

## THE PROFOREST INITIATIVE

### NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 3 EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

Proforest Latin America is the equivalent to a limited company in the UK. During the year Proforest Latin America expended funds on the delivery of The Proforest Initiative programmes. The figure shown in (f) represents these costs.

##### **Why we have programmes**

The Proforest Initiative is part of the not-for-profit Proforest Group, an independent mission-driven organisation working in the field of natural resource management and specialising in practical approaches to sustainability. After a decade of providing relatively short-term technical support and services to companies and multilateral organisations, the Proforest Initiative was created by Proforest Limited in 2010 in recognition of the potential for Proforest to be even more effective by complementing shorter-term support with longer-term programmes.

##### **What the programmes aim to achieve**

Proforest Initiative programmes address the need to realise transformational change at the sector or landscape levels, such as sharing our know-how to help build more effective multi-stakeholder initiatives and capacity development of natural resource management practitioners, producers, supply chain organisations, governments and civil society. Through such changes, the production of agricultural and forest commodities such as palm oil, soy, timber and beef can benefit producer countries whilst being socially and environmentally sustainable.

##### **Working with partners**

The Proforest Initiative delivers its programmes working closely with other Proforest entities in Africa, Asia, Latin America and the UK. In order to extend its reach and effectiveness, it also routinely works in partnership with organisations in civil society as well as the private and public sectors.

#### 4 STAFF REMUNERATION AND EXPENSES

The amount of £216,376 (see note 3) covers the costs for management and administrative support for The Proforest Initiative provided by staff whose costs were paid by Proforest Ltd as stated above. Employees of Proforest Ltd have joint contracts of employment with The Proforest Initiative. The total number of employees is 40 (2019: 40).

Key management personnel comprise the Trustees, the chief executive officer, a programme director, the Africa regional director, the operations director and the finance director. This was also the case in 2019. Remuneration paid to the charity's key management personnel in the year totalled £409,368 (2019: £461,084) of which £89,606 (2019 : £83,922) is included as an expense in these accounts.

The number of employees whose employee benefits (excluding pension costs) fell within the following bands was:

	2020	2019
	No.	No.
£60,001 - £70,000	2	2
£70,001 - £80,000	2	2
£80,001 - £90,000	<u>1</u>	<u>2</u>

No Trustees received any remuneration during the year. Three Trustees (2019: 6) were reimbursed expenses totalling £516 (2019: £716) during the year, and had £1,931 (2019: £3,193) expended on their behalf for lunches and travel.

**THE PROFOREST INITIATIVE**

**NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**5 DEBTORS**

	<b>2020</b>	<b>2019</b>
	£	£
Trade debtors	107,719	160,934
Other debtors – Accrued Income and prepayments	158,374	121,445
Amounts due from Proforest (UK) Ltd	<u>-</u>	<u>37,208</u>
	<u>266,093</u>	<u>319,587</u>

**6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2020</b>	<b>2019</b>
	£	£
Trade creditors	37,673	34,285
Amounts due to Proforest Limited	215,624	136,778
Amounts due to Proforest Sdn Bhd	83,184	39,070
Amounts due to Proforest Association (Brazil)	15,514	5,602
Amounts due to Proforest Ltd (Ghana)	36,123	41,210
Amounts due to Proforest Africa Initiative	76,909	32,643
Accruals and other creditors	65,337	89,010
Deferred income	<u>70,407</u>	<u>7,692</u>
	<u>600,771</u>	<u>386,290</u>

Deferred income represents grants and donations received for specific future programmes. Deferred income movements can be summarised as follows:

	<b>2020</b>	<b>2019</b>
	£	£
Brought forward	7,692	7,631
Recognised as income in the year	(7,692)	(7,631)
Deferred in the year	<u>62,907</u>	<u>7,692</u>
Carried forward	<u>62,907</u>	<u>7,692</u>

## THE PROFOREST INITIATIVE

NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020

## 7 FUNDS

	Balance at 01/01/2019 £	Incoming Resources 2020 £	Resources Expended 2020 £	Transfer 2020 £	Balance At 31/12/2020 £
<b>Restricted funds</b>					
Training	-	-	(30,058)	30,058	-
Africa TFA POI	32,771	452,664	(452,683)	(32,752)	-
LatAm Brasil	-	233,044	(233,942)	898	-
Production Landscape	87,609	611,292	(690,560)	-	8,341
RS Toolkits	-	54,755	(55,494)	739	-
IKI Landscape	-	60,021	(56,637)	2,413	5,797
<b>Total restricted funds</b>	<b>120,380</b>	<b>1,411,776</b>	<b>(1,519,374)</b>	<b>1,356</b>	<b>14,138</b>
<b>Unrestricted funds</b>	<b>409,579</b>	<b>559,002</b>	<b>(536,152)</b>	<b>(1,356)</b>	<b>431,073</b>
<b>Total funds</b>	<b>529,959</b>	<b>1,970,778</b>	<b>(2,055,526)</b>	<b>-</b>	<b>445,211</b>

Restricted monies were received from a variety of sources to support the programmes outlined above. During the year the charity allocated £5,797 from unrestricted funds to the IKI Landscape programme as part of a co-funding agreement. The Trustees approved an allocation of £50,000 from unrestricted reserves towards the development of a training platform. £30,058 of the allocation was utilised as at 31 December 2020.

Represented by:

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Net current assets	<u>431,073</u>	<u>14,138</u>	<u>445,211</u>

## 8 COMMITMENTS OF THE CHARITY

As at 31 December 2020 the Charity:

- had no material commitments not provided for in the accounts
- had given no guarantees to third parties
- had no liabilities secured on its assets
- had made no loans to connected persons or otherwise
- had made no ex-gratia payments in the year then ended.

## THE PROFOREST INITIATIVE

### NOTES TO THE ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### 9 RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

Proforest Initiative is a subsidiary of Proforest Ltd in accordance with the provisions of section 1159 of the Companies Act 2006. The reason that Proforest Initiative falls within this definition is that Proforest Ltd is the sole member of Proforest Initiative. Each trustee of the Proforest Initiative has one vote. The sole member cannot overrule any decision making by the Trustees. In theory, sole membership entitles Proforest Ltd to resign the Board of Trustees, however in practice this could not happen due to the regulatory framework in which the charity operates.

Proforest Ltd's principal objectives are to help people to produce and source natural resources sustainably. Proforest Ltd provides consultancy services to companies, developing practical approaches to responsible production and sourcing that support companies in their transition to better practices on the ground.

During the year ended 31 December 2020 Proforest Limited recharged The Proforest Initiative £874,808 (2019: £913,606) for costs of charitable activity paid on its behalf. As at 31 December 2020 £215,624 (2019: £133,951) was due to Proforest Limited from The Proforest Initiative. £Nil (2019: £14,931) was due from Proforest Limited to The Proforest Initiative

During the year ended 31 December 2020 Proforest Sdn Bhd (a wholly owned Malaysian subsidiary of Proforest Limited) recharged The Proforest Initiative £252,893 (2019: £193,448) for costs of charitable activity paid on its behalf. As at 31 December 2020, £Nil (2018: £39,070) was due from Proforest Sdn Bhd to The Proforest Initiative and £83,184 (2019: £nil) was due to Proforest Sdn Bhd from the Proforest Initiative

During the year ended 31 December 2020 Proforest Ghana (a company under common control but shares objectives with The Proforest Initiative and works closely with it) recharged The Proforest Initiative £121,318 (2019: £134,391) for costs of charitable activity paid on its behalf. As at 31 December 2020 £36,123 (2019: £40,708) was due from The Proforest Initiative to Proforest Ghana.

During the year ended 31 December 2020 Proforest Africa Initiative, a registered charity in Ghana not under common control but sharing objectives with the Proforest Initiative, recharged The Proforest Initiative was recharged £235,534 (2019: £298,895) for costs of charitable activity paid on its behalf. At 31 December 2020 £76,909 (2019: £32,643) was due to Proforest Africa Initiative.

During the year ended 31 December 2020 Proforest Brazil (an Association registered in Brazil, which is not under common control), recharged The Proforest Initiative £129,056 (2019: £134,608) for costs of charitable activity paid on its behalf. As at 31 December 2020, £15,514 (2019: £5,602) was due to Proforest Brazil from The Proforest Initiative.

During the year ended 31 December 2020 Proforest Latin America (the equivalent of a limited company in the UK), which is not under common control, but shares objectives with The Proforest Initiative and works closely with it) recharged The Proforest Initiative £36,328 (2019: £3,369) for costs of charitable activity paid on its behalf.

## THE PROFOREST INITIATIVE

NOTES TO THE ACCOUNTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**10 GENERAL INFORMATION**

The Proforest Initiative is a company limited by guarantee incorporated and domiciled in England. Its registered office address and principal place of business is Frewin Chambers, Frewin Court, Oxford, OX1 3HZ.

In the event of the company being wound up, the liability of the members is limited to £1.

**11 COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES**

		Unrestricted	Restricted	Total
	Note	2019	2019	2019
		£	£	£
<b>Income and endowments from:</b>				
Donations and legacies	2	-	1,512,036	1,512,036
Charitable activities		614,574	-	614,574
Investments		<u>873</u>	<u>-</u>	<u>873</u>
<b>Total income</b>		<u>615,447</u>	<u>1,512,036</u>	<u>2,127,483</u>
<b>Expenditure on:</b>				
Charitable activities	3	<u>578,073</u>	<u>1,497,890</u>	<u>2,075,963</u>
<b>Total expenditure</b>		<u>578,073</u>	<u>1,497,890</u>	<u>2,075,963</u>
<b>Net income/(expenditure)</b>		37,374	14,146	51,520
Transfers between funds		<u>82,163</u>	<u>(82,163)</u>	<u>-</u>
<b>Net movement in funds</b>		119,537	(68,017)	51,520
Total funds brought forward		<u>290,042</u>	<u>188,397</u>	<u>478,439</u>
Total funds carried forward		<u>409,579</u>	<u>120,380</u>	<u>529,959</u>