

Charity registration number 1137523

Company registration number 7293440 (England and Wales)

THE PROFOREST INITIATIVE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

THE PROFOREST INITIATIVE

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	R J Cooper	
	E J Fripp	
	I A R Smyth	
	M Hobley	
	C A Elliott	(Appointed 18 March 2022)
	B A Lindhe	(Appointed 18 March 2022)
Charity number	1137523	
Company number	7293440	
Registered office	South Suite Frewin Chambers Frewin Court Oxford OX1 3HZ	
Auditor	Critchleys Audit LLP Beaver House 23-38 Hythe Bridge Street Oxford Oxfordshire OX1 2EP	
Bankers	HSBC plc 65 Cornmarket Street Oxford OX1 3HY	
Solicitors	Blake Morgan LLP Seacourt Tower West Way Oxford OX2 0FB	

THE PROFOREST INITIATIVE

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THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 DECEMBER 2021

The Trustees are pleased to present their report together with the financial statements of the charity for the year ended 31 December 2021.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's Memorandum and Articles of Association, 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 2019).

Objectives and 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 2021, 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 further progress in facilitating collaborative "landscape and jurisdictional" 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. Considerable progress was made in the Asunafo-Asutifi landscape of Ghana to develop a plan of investment and management in environmental and social inclusion activities, in collaboration with the Ghana Forestry Commission, Cocoa Board and the private sector. The Charity began supporting a new area of landscape and sectoral work in Peru, where national initiatives to reduce greenhouse gas emissions were supported and capacity built around responsible production of palm oil.

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 implement action plans for the sustainable production of oil palm. Country representatives reconfirmed their commitment to sustainable commodity production at an event at the UNFCCC CoP 26 in Glasgow.

THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) *FOR THE YEAR ENDED 31 DECEMBER 2021*

The Charity carried out a range of capacity building activities. A suite of commodity-specific responsible sourcing toolkits was developed for soy, beef and palm. These help buyers of these commodities, sourcing from Brazil and Indonesia, to implement their commitments to responsible sourcing. The palm oil toolkit also aims to build awareness among Chinese buyers of palm oil about more responsible sourcing from Indonesia.

Over the year, the Charity continued to provide significant technical support to organisations developing voluntary standards systems and methodologies for defining, implementing and assessing the sustainable management of agricultural production. This included continued support to the Roundtable on Sustainable Palm Oil (RSPO), Better Cotton Initiative, Bonsucro, and the Global Platform on Sustainable Natural Rubber, as well as landscape assessment frameworks SourceUp and LandScale.

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. Training resources were developed to ensure the safeguarding of staff, partners and vulnerable stakeholders throughout the Charity's operations, as well as procedures for transparent procurement and management of partners.

The Trustees oversaw implementation of 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.

Achievements and performance

Financial review

During 2021, the Charity saw decreases on both income and expenditure on unrestricted charitable activities, compared to the previous year, but with an overall increase in net income of £44,397 (2020: £22,850) This was due to lower fixed costs of £277,094 (2020: £326,204).

In 2021 our net expenditure on restricted activities was £37,463 compared to net expenditure of £107,598 in 2020. The Charity's restricted funds carried forward decreased to £Nil (2020: £14,138).

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

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Reserves policy

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 2021 are £452K.

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. There is still some level of uncertainty surrounding Brexit and Covid, however it is the opinion of the Trustees that there is no significant impact on the charity's activities and going concern status.

In 2021 the Trustees approved the allocation of unrestricted reserves up to the £20k, being the balance remaining from prior year allocation (£50k) to support further development of training courses on the Charity's electronic training platform. £14k was utilised as at 31 December 2021.

Plans for future periods

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 from or investing in agricultural commodity and forest production in Latin America, Africa 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 and support smallholder producers.
- 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.
- Gender: actively mainstream gender considerations through all of the Charity's programmatic work, embedding gender equality in assessments, plans, implementation and monitoring.
- Training and capacity building: develop and deliver 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.

THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Structure, governance and 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, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

R J Cooper	
I Dodoo	(Resigned 27 January 2021)
M Abreu	(Resigned 18 March 2022)
E J Fripp	
I A R Smyth	
M Hobley	
C A Elliott	(Appointed 18 March 2022)
B A Lindhe	(Appointed 18 March 2022)

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 7 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.

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.

THE PROFOREST INITIATIVE

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of trustees' responsibilities

The trustees, who are also the directors of The Proforest Initiative for the purpose 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 charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

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 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 charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

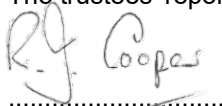
Auditor

In accordance with the company's articles, a resolution proposing that Critchleys Audit LLP be reappointed as auditor of the company will be put at a General Meeting.

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The trustees' report was approved by the Board of Trustees.



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R J Cooper
Trustee

Date: 6 July 2022
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THE PROFOREST INITIATIVE

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF THE PROFOREST INITIATIVE

Opinion

We have audited the financial statements of The Proforest Initiative (the 'charity') for the year ended 31 December 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including 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 2021 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report for the financial year for which the financial statements are prepared, which includes the directors' report prepared for the purposes of company law, is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

THE PROFOREST INITIATIVE

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

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 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 trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the trustees are responsible for assessing the 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 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.

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:

THE PROFOREST INITIATIVE

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

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 charitable company 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 charitable company, including the Companies Act 2006, 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 charitable company'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.

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.

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

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 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 is available on the Financial Reporting Council's website at: <https://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 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 auditors' 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.



Robert Kirtland (Senior Statutory Auditor)
for and on behalf of Critchleys Audit LLP

7/7/2022
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Statutory Auditor

Beaver House
23-38 Hythe Bridge Street
Oxford
Oxfordshire
OX1 2EP

THE PROFOREST INITIATIVE

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

Current financial year

	Notes	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Total 2020 £
<u>Income from:</u>					
Donations and grants	3	-	1,702,170	1,702,170	1,411,776
Charitable activities		520,654	-	520,654	558,548
Investments	4	15	-	15	454
Total income		520,669	1,702,170	2,222,839	1,970,778
<u>Expenditure on:</u>					
Charitable activities	5	476,272	1,739,633	2,215,905	2,055,526
Net incoming/(outgoing) resources before transfers		44,397	(37,463)	6,934	(84,748)
Gross transfers between funds		(23,325)	23,325	-	-
Net income/(expenditure) for the year/ Net movement in funds		21,072	(14,138)	6,934	(84,748)
Fund balances at 1 January 2021		431,073	14,138	445,211	529,959
Fund balances at 31 December 2021		452,145	-	452,145	445,211

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

THE PROFOREST INITIATIVE

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

Prior financial year

		Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
	Notes			
<u>Income from:</u>				
Donations and grants	3	-	1,411,776	1,411,776
Charitable activities		558,548	-	558,548
Investments	4	454	-	454
Total income		559,002	1,411,776	1,970,778
<u>Expenditure on:</u>				
Charitable activities	5	536,152	1,519,374	2,055,526
Net incoming/(outgoing) resources before transfers		22,850	(107,598)	(84,748)
Gross transfers between funds		(1,356)	1,356	-
Net income/(expenditure) for the year/ Net movement in funds		21,494	(106,242)	(84,748)
Fund balances at 1 January 2020		409,579	120,380	529,959
Fund balances at 31 December 2020		431,073	14,138	445,211

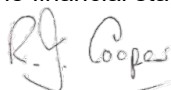
THE PROFOREST INITIATIVE

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Current assets					
Debtors	9	158,104		266,093	
Cash at bank and in hand		754,554		779,889	
		<u>912,658</u>		<u>1,045,982</u>	
Creditors: amounts falling due within one year					
Other creditors	10	359,416		530,364	
Deferred income	11	101,097		70,407	
		<u>460,513</u>		<u>600,771</u>	
Net current assets			<u>452,145</u>		<u>445,211</u>
Income funds					
Restricted funds	12		-	14,138	
Unrestricted funds			452,145	431,073	
			<u>452,145</u>	<u>445,211</u>	

The financial statements were approved by the Trustees on 6 July 2022



R J Cooper
Trustee

Company registration number 7293440

THE PROFOREST INITIATIVE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	16		(25,350)		182,773
Investing activities					
Investment income received		15		454	
		<hr/>		<hr/>	
Net cash generated from investing activities			15		454
Net cash used in financing activities			-		-
			<hr/>		<hr/>
Net (decrease)/increase in cash and cash equivalents			(25,335)		183,227
Cash and cash equivalents at beginning of year			779,889		596,662
			<hr/>		<hr/>
Cash and cash equivalents at end of year			754,554		779,889
			<hr/> <hr/>		<hr/> <hr/>

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Charity information

The Proforest Initiative is a private company limited by guarantee incorporated in England and Wales. The registered office is South Suite, Frewin Chambers, Frewin Court, Oxford, OX1 3HZ.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's governing document, the Companies Act 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "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 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, unless otherwise stated in the accounting policy notes. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

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.

Details of the restricted funds are provided in the notes to the accounts.

1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Grant income is generally recognised on a receivable basis and is reported gross of related expenditure, where the amounts are reasonably certain and when there is adequate certainty of receipt.

Funding received for future periods is carried forward in deferred income until the related expenditure has been incurred.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.5 Expenditure

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.
- Support costs and governance costs, reported under "Other Charitable Expenditure" have not been apportioned across the reported charitable activities. Apportioning these costs would not add any further benefit to interpreting the accounts, in the opinion of the charity.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

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

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

Deferred income

Grants are received in respect of future periods, and the element which relates to costs which have not been incurred at the balance sheet date are carried forward to be matched against the costs when they are incurred. Management exercises judgement to calculate the amounts to be deferred by reference to budgeted expenditure and grant conditions.

Accruals

Management exercises judgement in calculating year end accruals with reference to information relating to costs incurred post year end, and budgeted expenditure.

3 Donations and grants

	Restricted funds	Restricted funds
	2021	2020
	£	£
Grant income	1,702,170	1,411,776
	<u>1,702,170</u>	<u>1,411,776</u>
Grants receivable for core activities	£	£
WWF - US GEF Soy Brazil	40,141	233,044
DFID/KPMG - FGMC 2018-21	105,495	611,292
DFID/Palladium P4F TFA AP01 2019-2020	-	452,664
IKICall 2016	514,830	60,022
WWF US - GEF Asia Learning	96,692	23,993
CPD 2020 - BEEF Toolkit	14,432	30,761
FCDO_P4F_TFA Phase III	423,956	-
FCDO-FGMC extension 2021-2022	478,746	-
WEF 2021- TFA APOI funding support	27,878	-
	<u>1,702,170</u>	<u>1,411,776</u>

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Donations and grants

(Continued)

The following acronyms have been used above and in note 12 to the accounts:

APOI	Africa Palm Oil Initiative
DFID	Department for International Development (UK)
FCDO	Foreign, Commonwealth & Development Office
FGMC	Forest Governance, Markets and Climate Programme
GEF	Global Environment Facility
IKI	International Climate Initiative
P4F	Partnerships for Forests
RSS	Regional Sustainability Strategy
TFA	Tropical Forest Alliance
WEF	World Economic Forum
WWF	World Wide Fund for Nature

4 Investments

	Unrestricted funds	Unrestricted funds
	2021 £	2020 £
Interest receivable	15	454

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Charitable activities

	Proforest Ltd	Proforest Sdn Bhd	Proforest Brazil	Proforest Ghana	Proforest Initiative Africa (Ghana)	Proforest Latin America	Other Charitable Expenditure	Total 2021	Total 2020
	2021 £	2021 £	2021 £	2021 £	2021 £	2021 £	2021 £	£	£
Labour costs for programme delivery	600,331	192,521	74,627	21,361	269,422	103,398	-	1,261,660	1,192,115
Programme expenses recharged	91,446	25,490	995	-	141,228	68,967	-	328,126	178,206
3rd Party Sub Contractor costs	-	-	-	-	-	-	228,388	228,388	223,423
3rd Party programme related expenses	-	-	-	-	-	-	60,588	60,588	83,808
RSS Partnership payments	-	-	-	-	-	-	61,377	61,377	54,007
	<u>691,777</u>	<u>218,011</u>	<u>75,622</u>	<u>21,361</u>	<u>410,650</u>	<u>172,365</u>	<u>350,353</u>	<u>1,940,139</u>	<u>1,731,559</u>
Share of support costs (see note 6)	-	-	-	-	-	-	269,593	269,593	316,705
Share of governance costs (see note 6)	-	-	-	-	-	-	6,173	6,173	7,262
	<u>691,777</u>	<u>218,011</u>	<u>75,622</u>	<u>21,361</u>	<u>410,650</u>	<u>172,365</u>	<u>626,119</u>	<u>2,215,905</u>	<u>2,055,526</u>
Analysis by fund									
Unrestricted funds	172,247	32,827	14,942	21,361	5,929	30,736	198,230	476,272	536,152
Restricted funds	519,530	185,184	60,680	-	404,721	141,629	427,889	1,739,633	1,519,374
	<u>691,777</u>	<u>218,011</u>	<u>75,622</u>	<u>21,361</u>	<u>410,650</u>	<u>172,365</u>	<u>626,119</u>	<u>2,215,905</u>	<u>2,055,526</u>

The Proforest Initiative's one charitable activity is that of the promotion of and education regarding sustainable development and the protection of the environment.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Charitable activities

(Continued)

For the year ended 31 December 2020

	Proforest Ltd	Proforest Sdn Bhd	Proforest Brazil	Proforest Ghana	Proforest Initiative Africa (Ghana)	Proforest Latin America	Other Charitable Expenditure	Total 2020
	£	£	£	£	£	£	£	£
Labour costs for programme delivery	566,529	184,962	117,604	103,661	183,031	36,328	-	1,192,115
Programme expenses recharged	28,663	67,931	11,452	17,657	52,503	-	-	178,206
3rd Party Sub Contractor costs	-	-	-	-	-	-	223,423	223,423
3rd Party programme related expenses	-	-	-	-	-	-	83,808	83,808
RSS Partnership payments	-	-	-	-	-	-	54,007	54,007
	<u>595,192</u>	<u>252,893</u>	<u>129,056</u>	<u>121,318</u>	<u>235,534</u>	<u>36,328</u>	<u>361,238</u>	<u>1,731,559</u>
Share of support costs (see note 6)	-	-	-	-	-	-	316,705	316,705
Share of governance costs (see note 6)	-	-	-	-	-	-	7,262	7,262
	<u>595,192</u>	<u>252,893</u>	<u>129,056</u>	<u>121,318</u>	<u>235,534</u>	<u>36,328</u>	<u>685,205</u>	<u>2,055,526</u>
Analysis by fund								
Unrestricted funds	158,937	14,789	3,988	103,661	18,222	-	236,555	536,152
Restricted funds	436,255	238,104	125,068	17,657	217,312	36,328	448,650	1,519,374
	<u>595,192</u>	<u>252,893</u>	<u>129,056</u>	<u>121,318</u>	<u>235,534</u>	<u>36,328</u>	<u>685,205</u>	<u>2,055,526</u>

The Proforest Initiative's one charitable activity is that of the promotion of and education regarding sustainable development and the protection of the environment.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 Support costs

	Support costs £	Governance costs £	2021 £	Support costs £	Governance costs £	2020 £
Programme development	59	-	59	483	-	483
Management and administrative support	171,643	-	171,643	216,376	-	216,376
Office and establishment costs	96,431	-	96,431	98,934	-	98,934
Other expenses	1,460	-	1,460	912	-	912
Audit fees	-	6,150	6,150	-	4,550	4,550
Trustees' meeting costs	-	23	23	-	2,712	2,712
	<u>269,593</u>	<u>6,173</u>	<u>275,766</u>	<u>316,705</u>	<u>7,262</u>	<u>323,967</u>
Analysed between Charitable activities	<u>269,593</u>	<u>6,173</u>	<u>275,766</u>	<u>316,705</u>	<u>7,262</u>	<u>323,967</u>

Governance costs includes payments to the auditors of £6,150 (2020- £4,550) for audit fees.

7 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

One trustee received £10 in respect of reimbursed postage during the year (2020: Three trustees were reimbursed expenses of £516). In 2020 the trustees also had £1,931 expended on their behalf for lunches and travel.

8 Staff costs

	2021 Number	2020 Number
Management	1	1
Operations and IT	6	6
Finance	3	6
Total	<u>10</u>	<u>13</u>

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Staff costs

(Continued)

The amount of £171,643 (2020: £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. Employees of Proforest Ltd have joint contracts of employment with The Proforest Initiative.

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 2020. Remuneration paid to the charity's key management personnel in the year totalled £424,971 (2020: £409,368) of which £120,133 (2020 : £89,606) is included as an expense in these accounts.

The number of employees whose annual remuneration was more than £60,000 is as follows:

	2021 Number	2020 Number
£60,001 - £70,000	2	2
£70,001 - £80,000	2	2
£80,001 - £90,000	1	1
	<u> </u>	<u> </u>

9 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	20,582	107,719
Other debtors	12,910	7,092
Accrued income	124,612	151,282
	<u> </u>	<u> </u>
	158,104	266,093
	<u> </u>	<u> </u>

10 Other creditors falling due within one year

	2021 £	2020 £
Trade creditors	42,165	37,673
Amounts due to fellow subsidiaries (see note 15)	290,527	427,354
Accruals and deferred income	26,724	65,337
	<u> </u>	<u> </u>
	359,416	530,364
	<u> </u>	<u> </u>

11 Deferred income

	2021 £	2020 £
Arising from grants received for specific future programmes	101,097	70,407
	<u> </u>	<u> </u>

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Deferred income

(Continued)

Deferred income is included in the financial statements as follows:

	2021 £	2020 £
Deferred income is included within:		
Current liabilities	101,097	70,407
	<u> </u>	<u> </u>
Movements in the year:		
Deferred income at 1 January 2021	70,407	7,692
Released from previous periods	(70,407)	(7,692)
Resources deferred in the year	101,097	70,407
	<u> </u>	<u> </u>
Deferred income at 31 December 2021	101,097	70,407
	<u> </u>	<u> </u>

Deferred income includes grant funding, received in advance for programmatic implementation in FY2022, as follows:

	Grant	Amount £	Programme
G071	FCDO-P4F_TFA phase III	43,065	Africa TFA APOI programme
G078	FCDO-FGMC extension 2021-2022	8,507	Production Landscape programme

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Movement in funds				Movement in funds				Balance at 31 December 2021
	Balance at 1 January 2020	Incoming resources	Resources expended	Transfers	Balance at 1 January 2021	Incoming resources	Resources expended	Transfers	
	£	£	£	£	£	£	£	£	£
Training	-	-	(30,058)	30,058	-	-	(13,654)	13,654	-
Africa TFA APOI	32,771	452,664	(452,683)	(32,752)	-	451,833	(448,131)	(3,702)	-
LatAm Brasil - Soy Toolkit	-	233,044	(233,942)	898	-	43,699	(42,276)	(1,423)	-
Production Landscape	87,609	611,292	(690,560)	-	8,341	584,241	(584,242)	(8,340)	-
RS Toolkits	-	54,755	(55,494)	739	-	107,567	(110,264)	2,697	-
IKI Landscape	-	60,021	(56,637)	2,413	5,797	514,830	(541,066)	20,439	-
	<u>120,380</u>	<u>1,411,776</u>	<u>(1,519,374)</u>	<u>1,356</u>	<u>14,138</u>	<u>1,702,170</u>	<u>(1,739,633)</u>	<u>23,325</u>	<u>-</u>

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Restricted funds

(Continued)

Restricted monies were received from a variety of sources to support the programmes outlined above:

Training programme

Internal funding for developing Proforest Academy on-line training platform and materials.

Africa TFA APOI programme

Africa Palm Oil Initiative: a multistakeholder initiative involving 9 countries and 1 state in Central and West Africa to promote the development of sustainable palm oil.

LatAm Brasil -Soy Toolkit programme

Capacity building programme to support traders and manufacturers using soy from Brazil to understand their supply chains and support responsible production that avoids deforestation.

Production Landscape programme

Support to initiatives in Ghana, Liberia, Cameroon and Indonesia to align private sector initiatives to combat deforestation with government and civil society action in each country.

RS Toolkits programme

Capacity building programme to help buyers of beef and palm oil to understand their supply chains and support responsible production that avoids deforestation.

IKI Landscape programme

Support to landscape initiatives in Ghana, Cote d'Ivoire and Peru to align private sector initiatives to combat deforestation with government and civil society action in each country.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Analysis of net assets between funds

	Unrestricted funds 2021 £	Restricted funds 2021 £	Total 2021 £	Unrestricted funds 2020 £	Restricted funds 2020 £	Total 2020 £
Fund balances at 31 December 2021 are represented by:						
Current assets/ (liabilities)	452,145	-	452,145	431,073	14,138	445,211
	<u>452,145</u>	<u>-</u>	<u>452,145</u>	<u>431,073</u>	<u>14,138</u>	<u>445,211</u>

14 Commitments of the Charity

As at 31 December 2021 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.

15 Related party transactions and controlling party

Transactions with related parties

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.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Related party transactions and controlling party

(Continued)

During the year ended 31 December 2021 Proforest Limited recharged The Proforest Initiative £683,932 (2020: £874,808) for costs of charitable activity paid on its behalf. As at 31 December 2021 £112,406 (2020: £215,624) was due to Proforest Limited from The Proforest Initiative. £354 (2020: £Nil) was due from Proforest Limited to The Proforest Initiative

During the year ended 31 December 2021 Proforest Sdn Bhd (a wholly owned Malaysian subsidiary of Proforest Limited) recharged The Proforest Initiative £218,011 (2020: £252,893) for costs of charitable activity paid on its behalf. As at 31 December 2021, £Nil (2020: £Nil) was due from Proforest Sdn Bhd to The Proforest Initiative and £19,025 (2020: £83,184) was due to Proforest Sdn Bhd from the Proforest Initiative

During the year ended 31 December 2021 Proforest Ghana (a company under common control but shares objectives with The Proforest Initiative and works closely with it) recharged The Proforest Initiative £21,361 (2020: £121,318) for costs of charitable activity paid on its behalf. As at 31 December 2021 £Nil (2020: £36,123) was due from The Proforest Initiative to Proforest Ghana.

THE PROFOREST INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Related party transactions and controlling party

(Continued)

During the year ended 31 December 2021 Proforest Initiative Africa, a registered charity in Ghana not under common control but sharing objectives with the Proforest Initiative, recharged The Proforest Initiative was recharged £410,650 (2020: £235,534) for costs of charitable activity paid on its behalf. At 31 December 2021 £88,196 (2020: £76,909) was due to Proforest Initiative Africa.

During the year ended 31 December 2021 Proforest Brazil (an Association registered in Brazil, which is not under common control), recharged The Proforest Initiative £75,622 (2020: £129,056) for costs of charitable activity paid on its behalf. As at 31 December 2021, £44,105 (2020: £15,514) was due to Proforest Brazil from The Proforest Initiative.

During the year ended 31 December 2021 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 £180,212 (2020: £36,328) for costs of charitable activity paid on its behalf. As at 31 December 2021, £26,927 was owed by The Proforest Initiative to Proforest Latin America (2020: £Nil).

16 Cash generated from operations	2021 £	2020 £
Surplus/(deficit) for the year	6,934	(84,748)
Adjustments for:		
Investment income recognised in statement of financial activities	(15)	(454)
Movements in working capital:		
Decrease in debtors	107,989	53,494
(Decrease)/increase in creditors	(170,948)	151,766
Increase in deferred income	30,690	62,715
Cash (absorbed by)/generated from operations	(25,350)	182,773
17 Analysis of changes in net funds		
The charity had no debt during the year.		