

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 2022**

# THE PROFOREST INITIATIVE

## LEGAL AND ADMINISTRATIVE INFORMATION

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

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# THE PROFOREST INITIATIVE

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# THE PROFOREST INITIATIVE

## TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2022

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The Trustees are pleased to present their report together with the financial statements of the charity for the year ended 31 December 2022.

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 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 2022, 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 stakeholders including private sector, government and civil society to align 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.

Following the recommitment at the UNFCCC CoP 26 by governments of 10 countries in West and Central Africa to sustainable commodity production, the Charity supported the development of a new formal declaration to embody this commitment. The Africa Sustainable Commodities Declaration was signed by ministers of the 10 countries at CoP 27 in Egypt. This moves from the original focus on palm oil to a set of principles that encompass all relevant commodities in the production landscapes of these countries.

The Charity continued to support 'landscape and jurisdictional' approaches to land management with on-the-ground activities particularly active in Ghana, Cote d'Ivoire and Indonesia. In Cote d'Ivoire, the charity facilitated stakeholders to develop a landscape management and investment plan for the San Pedro cocoa producing regions. In Indonesia, the Charity supported landscape approaches in two oil palm producing regions with the aim of avoiding negative environmental impacts and ensuring social inclusion. A process of social dialogue was developed in the Siak and Pelalawan Districts of Riau, Indonesia, which seeks to ensure that workers and communities have greater voice in the management of oil palm production.

# THE PROFOREST INITIATIVE

## TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The Charity carried out a range of capacity building activities. In Ghana, capacity building activities were carried out around the identification and protection of High Conservation Values and High Carbon Stock forests; as well as the importance of the Free, Prior and Informed Consent of local communities to the use of their lands for commodity agriculture. A comprehensive Palm Oil Toolkit was developed in English and Chinese during the year, which provides an accessible step-by-step guide for companies to implement their commitments to the responsible sourcing of palm oil.

Among newer activities, the Charity supported the Ministry of Agrarian Development and Irrigation in Peru to develop a national strategy for sustainable palm oil; and to develop the Public Multiannual Investment plan for Cocoa and Chocolate, which focuses on the development of sustainable cocoa production. The Charity also focused in Europe on exploring the implications of the European Union Deforestation Regulation for smallholder producers of cocoa in Ghana, Cote d'Ivoire and Peru; and developing operational guidance to support producers and traders to comply with the requirements.

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, and the Global Platform on Sustainable Natural Rubber. The Charity also developed an e-learning platform to support the activities of the Accountability Framework Initiative; and two studies for Oxfam on multistakeholder initiative shared responsibility; and human rights due diligence.

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.

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 2022, the Charity saw a decrease in income and expenditure on unrestricted charitable activities, resulting in a small in-year deficit of £2k, compared to a surplus of £21k in the previous year.

Reduced net income was due to a combination of decreased net income on our sustainability initiative projects and a decreased contribution from our programmes.

Increased fixed costs, excluding foreign currency gains, of £346k (2021 £277k) was due to increased spending on staff development and capacity building following the lifting of travel restrictions after Covid and increased personnel costs. During the year the charity also benefitted from foreign currency exchange gains of £35k compared to a loss of £16k suffered in 2021.

In 2022 the Charity's net expenditure on restricted activities was £2k compared to net expenditure of £37k in 2021. At the end of the year, the Charity did not carry forward any restricted funds (2021: £Nil)

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, 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 2022

### 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 2022 are £450K.

In addition to the ringfenced reserves and approved co-funding for the P15A IKI Landscape programme (£22k) in 2022, the trustees approved an additional allocation of £6k to support the development of a mobile application (SWARA) to monitor participation in programmatic workshops and meetings.

The current reserve level is above the annual operating cost of the Charity and the trustees consider any surplus above requirement to be a useful buffer against short-term funding gaps.

It is the opinion of the trustees that there is no significant impact on the charity's activities and going concern status.

### Plans for future periods

During 2022 the Charity successfully completed one grant (through the UK government Forest, Governance, Markets and Climate Programmes) and a second grant received through the UK government Partnership for Forests, will end in June 2023. Through the activities under the International Climate Initiative PIUK will continue to

- 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.

In addition, the Charity is seeking substantial funding for further action on:

- Supporting producer countries to develop mechanisms which enable them to comply with increasing consumer country due diligence legislation, such as the EU Deforestation Regulation and the UK Environment Act.
- Developing approaches to ensure human rights are respected in agricultural commodity production landscapes. This includes labour, land, indigenous people and communities, child and gender rights, among others.
- Continuing our support to landscape and jurisdictional approaches, and other large scale approaches to environmentally and socially responsible agricultural commodity production.

The Charity is continually improving its financial and management systems, overseen by the Trustees.

### 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 PROFOREST INITIATIVE

## TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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	(Resigned 6 July 2022)
M Abreu	(Resigned 18 March 2022)
E J Fripp	(Resigned 1 March 2023)
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.

### 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.



C A Elliott  
Trustee

Date: 15.06.2023

## **THE PROFOREST INITIATIVE**

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

#### ***FOR THE YEAR ENDED 31 DECEMBER 2022***

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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.

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.

# THE PROFOREST INITIATIVE

## INDEPENDENT AUDITOR'S REPORT

### TO THE TRUSTEES OF THE PROFOREST INITIATIVE

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#### Opinion

We have audited the financial statements of The Proforest Initiative (the 'charity') for the year ended 31 December 2022 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 2022 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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

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#### **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.

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:

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.

## THE PROFOREST INITIATIVE

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

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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.

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.

## THE PROFOREST INITIATIVE

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

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#### Use of our report

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



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

**Statutory Auditor**

20/6/2023

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

## THE PROFOREST INITIATIVE

### STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

#### Current financial year

		Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £	Total 2021 £
	Notes				
<b>Income from:</b>					
Donations and grants	3	-	2,098,597	2,098,597	1,702,170
Charitable activities		464,990	-	464,990	520,654
Investments	4	469	-	469	15
<b>Total income</b>		<u>465,459</u>	<u>2,098,597</u>	<u>2,564,056</u>	<u>2,222,839</u>
<b>Expenditure on:</b>					
Charitable activities	5	<u>465,729</u>	<u>2,100,372</u>	<u>2,566,101</u>	<u>2,215,905</u>
<b>Net (outgoing)/incoming resources before transfers</b>		(270)	(1,775)	(2,045)	6,934
Gross transfers between funds		<u>(1,775)</u>	<u>1,775</u>	<u>-</u>	<u>-</u>
<b>Net (expenditure)/income for the year/ Net movement in funds</b>		(2,045)	-	(2,045)	6,934
Fund balances at 1 January 2022		<u>452,145</u>	<u>-</u>	<u>452,145</u>	<u>445,211</u>
<b>Fund balances at 31 December 2022</b>		<u><u>450,100</u></u>	<u><u>-</u></u>	<u><u>450,100</u></u>	<u><u>452,145</u></u>

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 2022

Prior financial year

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

# THE PROFOREST INITIATIVE

## BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
<b>Current assets</b>					
Debtors	9	447,529		158,104	
Cash at bank and in hand		608,949		754,554	
		<u>1,056,478</u>		<u>912,658</u>	
<b>Creditors: amounts falling due within one year</b>					
Other creditors	10	594,678		359,416	
Deferred income	11	11,700		101,097	
		<u>606,378</u>		<u>460,513</u>	
Net current assets			<u>450,100</u>		<u>452,145</u>
<b>Income funds</b>					
Unrestricted funds			<u>450,100</u>		<u>452,145</u>
			<u>450,100</u>		<u>452,145</u>

The financial statements were approved by the Trustees on 19/06/2023



C A Elliott  
Trustee

Company registration number 7293440

## THE PROFOREST INITIATIVE

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	15		(146,074)		(25,350)
<b>Investing activities</b>					
Investment income received		469		15	
<b>Net cash generated from investing activities</b>			469		15
<b>Net cash used in financing activities</b>			-		-
<b>Net decrease in cash and cash equivalents</b>			(145,605)		(25,335)
Cash and cash equivalents at beginning of year			754,554		779,889
<b>Cash and cash equivalents at end of year</b>			608,949		754,554

# THE PROFOREST INITIATIVE

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 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 2022

### 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.

##### **Derecognition of financial liabilities**

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

# THE PROFOREST INITIATIVE

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 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

No new grants were received in respect of future periods this year. 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
	2022	2021
	£	£
Grant income	2,098,597	1,702,170
<b>Grants receivable for core activities</b>	<b>£</b>	<b>£</b>
WWF - US GEF Soy Brazil	-	40,141
DFID/KPMG - FGMC 2018-21	-	105,495
IKICall 2016	636,745	514,830
WWF US - GEF Asia Learning	-	96,692
CPD 2020 - BEEF Toolkit	-	14,432
FCDO_P4F_TFA Phase III	719,864	423,956
FCDO-FGMC extension 2021-2022	707,739	478,746
WEF 2021- TFA APOI funding support	-	27,878
Other	34,249	-
	<u>2,098,597</u>	<u>1,702,170</u>

## THE PROFOREST INITIATIVE

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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
	2022	2021
	£	£
Interest receivable	469	15

## THE PROFOREST INITIATIVE

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

#### 5 Charitable activities

	Proforest Ltd	Proforest Latin America	Proforest Brazil	Proforest Ghana	Proforest Initiative Africa (Ghana)	Proforest Sdn Bhd	Other Charitable Expenditure	Total 2022	Total 2021
	2022 £	2022 £	2022 £	2022 £	2022 £	2022 £	2022 £	2022 £	2021 £
Labour costs for programme delivery	574,911	67,467	8,057	8,885	229,453	140,879	-	1,029,652	1,261,660
Programme expenses recharged	210,562	105,189	-	-	437,474	71,920	-	825,145	328,126
3rd Party Sub Contractor costs	-	-	-	-	-	-	267,480	267,480	228,388
3rd Party programme related expenses	-	-	-	-	-	-	54,295	54,295	60,588
RSS Partnership payments	-	-	-	-	-	-	80,787	80,787	61,377
	785,473	172,656	8,057	8,885	666,927	212,799	402,562	2,257,359	1,940,139
Share of support costs (see note 6)	-	-	-	-	-	-	296,485	296,485	269,593
Share of governance costs (see note 6)	-	-	-	-	-	-	12,257	12,257	6,173
	785,473	172,656	8,057	8,885	666,927	212,799	711,304	2,566,101	2,215,905
<b>Analysis by fund</b>									
Unrestricted funds	154,007	-	8,057	8,885	22,437	10,237	262,106	465,729	476,272
Restricted funds	631,466	172,656	-	-	644,490	202,562	449,198	2,100,372	1,739,633
	785,473	172,656	8,057	8,885	666,927	212,799	711,304	2,566,101	2,215,905

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 2022

#### 5 Charitable activities (Continued)

For the year ended 31 December 2021

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

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 2022

#### 6 Support costs

	Support costs	Governance costs	2022	Support costs	Governance costs	2021
	£	£	£	£	£	£
Programme development	6,393	-	6,393	59	-	59
Management and administrative support	223,417	-	223,417	171,643	-	171,643
Office and establishment costs	65,382	-	65,382	96,431	-	96,431
Other expenses	1,293	-	1,293	1,460	-	1,460
Audit fees	-	6,850	6,850	-	6,150	6,150
Trustees' meeting costs	-	5,407	5,407	-	23	23
	<u>296,485</u>	<u>12,257</u>	<u>308,742</u>	<u>269,593</u>	<u>6,173</u>	<u>275,766</u>
Analysed between						
Charitable activities	<u>296,485</u>	<u>12,257</u>	<u>308,742</u>	<u>269,593</u>	<u>6,173</u>	<u>275,766</u>

Governance costs includes payments to the auditors of £6,850 (2021- £6,150 ) 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.

Six trustees received £935 reimbursed during the year (2021: Three trustees were reimbursed expenses of £10). In 2022, the trustees also had £4,451 (2021 £Nil) expended on their behalf for lunches and travel.

#### 8 Staff costs

	2022 Number	2021 Number
Management	1	1
Operations and IT	1	6
Finance	3	3
Total	<u>5</u>	<u>10</u>

The amount of £223,417 (2021: £171,643) (see note 6) 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 2021. Remuneration paid to the charity's key management personnel in the year totalled £417,295 (2021: £424,971 ) of which £121,727 (2021: £120,133) is included as an expense in these accounts.

# THE PROFOREST INITIATIVE

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 8 Staff costs

(Continued)

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

	2022 Number	2021 Number
£60,001 - £70,000	3	2
£70,001 - £80,000	2	2
£80,001 - £90,000	1	1
	<u>        </u>	<u>        </u>

### 9 Debtors

	2022 £	2021 £
<b>Amounts falling due within one year:</b>		
Trade debtors	108,987	20,582
Other debtors	4,354	12,910
Accrued income	334,188	124,612
	<u>447,529</u>	<u>158,104</u>

### 10 Other creditors falling due within one year

	2022 £	2021 £
Trade creditors	10,337	42,165
Amounts due to fellow subsidiaries (see note 14)	489,301	290,527
Accruals and deferred income	95,040	26,724
	<u>594,678</u>	<u>359,416</u>

### 11 Deferred income

	2022 £	2021 £
Arising from grants received for specific future programmes	11,700	101,097
	<u>        </u>	<u>        </u>

Deferred income is included in the financial statements as follows:

	2022 £	2021 £
Deferred income is included within:		
Current liabilities	11,700	101,097
	<u>        </u>	<u>        </u>

Movements in the year:

## THE PROFOREST INITIATIVE

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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<b>11</b>	<b>Deferred income</b>		<b>(Continued)</b>
	Deferred income at 1 January 2022	101,097	70,407
	Released from previous periods	(101,097)	(70,407)
	Resources deferred in the year	11,700	101,097
		<hr/>	<hr/>
	Deferred income at 31 December 2022	11,700	101,097
		<hr/>	<hr/>

## THE PROFOREST INITIATIVE

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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:

	Balance at 1 January 2021	Movement in funds			Transfers 1 January 2022	Balance at 1 January 2022	Movement in funds			Transfers	Balance at 31 December 2022
		£	£	£			Incoming resources	Resources expended	Incoming resources		
Training	-	-	-	(13,654)	13,654	-	-	-	-	-	-
Africa TFA APOI	-	451,833	(448,131)	(3,702)	(3,702)	-	719,864	(719,864)	-	-	-
LatAm Brasil - Soy Toolkit	-	43,699	(42,276)	(1,423)	(1,423)	-	-	-	-	-	-
Production Landscape	8,341	584,241	(584,242)	(8,340)	(8,340)	-	707,739	(707,739)	-	-	-
RS Toolkits	-	107,567	(110,264)	2,697	2,697	-	-	-	-	-	-
IKI Landscape	5,797	514,830	(541,066)	20,439	20,439	-	636,745	(638,520)	1,775	-	-
Service S016	-	-	-	-	-	-	34,249	(34,249)	-	-	-
	14,138	1,702,170	(1,739,633)	23,325	23,325	-	2,098,597	(2,100,372)	1,775	-	-

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

#### 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.

#### 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 2022**

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### **13 Commitments of the Charity**

As at 31 December 2022 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.

### **14 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 2022

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#### 14 Related party transactions and controlling party

(Continued)

During the year ended 31 December 2022 Proforest Limited recharged The Proforest Initiative £785,473 (2021: £683,932) for costs of charitable activity paid on its behalf. As at 31 December 2022 £203,516 (2021: £112,406) was due to Proforest Limited from The Proforest Initiative. £Nil (2021: £354) was due from Proforest Limited to The Proforest Initiative

During the year ended 31 December 2022 Proforest Sdn Bhd (a wholly owned Malaysian subsidiary of Proforest Limited) recharged The Proforest Initiative £212,799 (2021: £218,011) for costs of charitable activity paid on its behalf. As at 31 December 2022, £35,956 (2021: £Nil) was due from Proforest Sdn Bhd to The Proforest Initiative and £27,297 (2021: £19,025) was due to Proforest Sdn Bhd from the Proforest Initiative

During the year ended 31 December 2022 Proforest Ghana (a company under common control but shares objectives with The Proforest Initiative and works closely with it) recharged The Proforest Initiative £8,885 (2021: £21,361) for costs of charitable activity paid on its behalf. As at 31 December 2022 £2,920 (2021: £Nil) was due from The Proforest Initiative to Proforest Ghana.

# THE PROFOREST INITIATIVE

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 14 Related party transactions and controlling party

(Continued)

During the year ended 31 December 2022 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 £666,927 (2021: £410,650) for costs of charitable activity paid on its behalf. At 31 December 2022 £192,660 (2021: £88,196) was due to Proforest Initiative Africa.

During the year ended 31 December 2022 Proforest Brazil (an Association registered in Brazil, which is not under common control), recharged The Proforest Initiative £8,057 (2021: £75,622) for costs of charitable activity paid on its behalf. As at 31 December 2022, £8,109 (2021: £44,105) was due to Proforest Brazil from The Proforest Initiative.

During the year ended 31 December 2022 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 £172,656 (2021: £180,212) for costs of charitable activity paid on its behalf. As at 31 December 2022, £54,801 was owed by The Proforest Initiative to Proforest Latin America (2021: £26,927).

### 15 Cash generated from operations

	2022 £	2021 £
(Deficit)/surplus for the year	(2,045)	6,934
Adjustments for:		
Investment income recognised in statement of financial activities	(469)	(15)
Movements in working capital:		
(Increase)/decrease in debtors	(289,425)	107,989
Increase/(decrease) in creditors	235,262	(170,948)
(Decrease)/increase in deferred income	(89,397)	30,690
<b>Cash absorbed by operations</b>	<b>(146,074)</b>	<b>(25,350)</b>

### 16 Analysis of changes in net funds

The charity had no debt during the year.

