

*Divine*TM
CHOCOLATE



Annual Report
October 2012 - June 2013





CHAIRMAN'S REPORT

We have changed Divine's financial year -end from 30 September to 30 June with effect from 2013. Adopting a June year-end is better from a business planning perspective as it is between our seasonal peaks. Due to this change, we are reporting the company's results for the nine months ended 30 June 2013; however the comparative figures in the financial statements are for the twelve months ended September 2012.

Although trading conditions remained difficult during the period, we are pleased to report an improvement in sales on a comparable basis. Our Easter products sold well and this resulted in increased orders for Christmas. The own label ranges that we supply also did well, and exports held steady except for those to Ireland which declined. The new flavours in our 100g Divine range generated a lot of consumer and trade interest and we were able to obtain extended listings with a number of key customers. We have updated our packaging to have a more contemporary feel and to stand out more clearly on-shelf, and towards the end of the period we added a caramel variant to our 40g range and the initial response has been very positive. Sales for the nine months to the end of June were £5.6 million compared with £7.5 million for the twelve months to the end of September 2012 and £5.5 million for the nine month period ended June 2012. Profit after taxation was £44k compared with £27k for the previous twelve months.

In the United States, Divine Chocolate Inc grew sales strongly, and expanded its presence in the grocery channel through focused sales management which has brought further gains in grocery and drug in the current financial year. The \$750k capital raising mentioned in last year's report was concluded successfully.

Exchange rates and commodity prices continue to be a challenge, but an improving economy, better listings and the benefit of new products launched in 2013 means we are very positive about the year ahead. The foundations of the business have been strengthened and we are satisfied that the business remains a going concern.

A preference dividend of £57k, declared in April 2013, was paid in June.

Divine is distinctive as a Fairtrade business as it not only delivers the Fairtrade premium on the cocoa we buy to the Kuapa Kokoo farmers, it also pays their 45% share of distributed profit, and 2% of turnover towards special projects which help Kuapa Kokoo be a stronger and more competitive organisation. Projects to improve the accuracy of the members database, improve communication with the farmers and empower women are all having a significant impact on Kuapa Kokoo and the farming communities.

The people who enjoy our chocolate, the retailers and wholesalers who get it to them and of course our suppliers all



Patrick Fleming
Chair, Divine Chocolate Ltd

contribute to the success of Divine and I want to thank them for their support. Sophi and her team have had a very busy period and a very successful one. I want to thank them for all they have done.

I also want to thank my fellow directors who have been generous with their time and very helpful. There have been a number of changes to the board. Kuapa Kokoo Farmers Union President Christiana Ohene-Agyare sadly passed away and we paid tribute to her leadership and championship of women's empowerment, as well as her contribution to the Board. Fatima Ali, now interim President of KKFU took her place on the Board. Andy Good, Interim Managing Director of Twin, and Kees van den Burg, of Oikocredit, both resigned during the year and they have been replaced by Nico Mounard and Tor Gull respectively. At the end of December I stood down as Chair after nearly nine years as a director. Jamie Hartzell, who founded the Ethical Property Company and is currently Managing Director of Ethex, has joined the board and has taken over as Chair. I have great pleasure in welcoming him and I wish him every success. Divine is a very special company; it has helped to change the industry, it has contributed significantly to the success of Fairtrade and it sells very good chocolate! I believe it has an exciting future.



NATIONWIDE

So much to cherish..

This is a shorter report as we change our year end to June, and we seem to have managed to squeeze more than usual into those nine months!

Our vision is to create a world where chocolate can be celebrated and cherished by everyone, so we focus on ways to raise awareness of how wonderful chocolate is, and how much we should all cherish it - and the farmers who grow the all important ingredient. We find a great way to do this is by collaborating with a diverse and enthusiastic range of partners, and by ensuring that our focus on empowering people is reflected in an open and personal way of communicating in everything we do.

The highlights of Autumn 2012 and Spring 2013 capture all those ambitions.



Chocolate Week

For Divine the end of summer heralds the build up to Chocolate Week - the nationwide celebration of good chocolate that Divine has co-sponsored from when it started nine years ago. Chocolate Week is Divine's opportunity to pull out all the stops and aim for total chocolateyness - tying up with some great partners as we do so. The highlights of Chocolate Week 2012 included four spectacular

exclusive recipes from the likes of **Mary Berry** and **Gregg Wallace**, which proved one of the most popular hooks for press coverage. There seems to be no limit to how much people want to try something new to bake with Divine. New partners included the **RIBA** who created some delicious chocolate architecture for their restaurant menu, and the acclaimed boutique **Bingham Hotel** in Richmond which also offered exclusive Divine dishes to their guests.



RIBA's chocolate creation

We also chose this moment to launch a competition to find two "Divine Chocolateers". Our first Chocolateer has been hugely popular - giving Divine workshops and demonstrations to many different kinds of chocolate loving audiences - from corporate events to schools and community centres. So we decided we could do with two more - thus "the three chocolateers"! We promoted the competition, which was featured in **Waitrose Weekend**, asking for entries from people passionate about chocolate, Divine, and showing off their skills. As the only farmer-owned mainstream brand taking part in Chocolate Week, our



A Kuapa celebration of Ghanaian food

activity included the distinctive addition of tweets direct from Ghana where we were enjoying a festival of Ghanaian cooking with Kuapa farmers in Bayerebon3 and Bipoah.

Chocolate Week is the centre-piece of a period of promotion for Divine, building brand awareness, and ultimately gearing up for heightened sales at Christmas. This year we teamed up with women's lifestyle magazine **Red** to covermount two different flavoured bars on 36,000 magazines sold in **Waitrose** and **Sainsbury's**.



Red's Divine issue



NATIONWIDE

A busy Spring season

With Valentine's Day, Mother's Day, and Easter coming in quick succession in Spring, there are non-stop opportunities for giving and sharing chocolate. How to make those chocolate occasions not just delicious, but Divine?

For us, another main focus in Spring has always been Fairtrade Fortnight – a chance to celebrate what makes us a Fairtrade leader, and re-ignite the fervour and appetite to make change happen.



Divine's Pop up shop in Covent Garden

Popping up in Covent Garden

Every year we approach Fairtrade Fortnight from a new perspective and with a different focus. This is an opportunity for cocoa farmers from Kuapa Kokoo to come over to UK and speak directly to thousands of people who have the power to make a positive impact on the farmers' lives back in Ghana. This year was no exception and we were joined by Mary Appiah and Esther Ephraim Mintah in UK as Kuapa ambassadors, but rather than depend on others to provide venues,

we decided to do something really different – and open our own pop-up shop. The shop was a very exciting proposition. It created a hub for most of our Fairtrade Fortnight activity and events, it gave us the occasion to create our own retail space for the first time, and the chance to meet and talk to consumers continuously over a whole two weeks. Our Marketing Manager Tal Drori masterminded the whole project, finding a fantastic location in London's Covent Garden, a great designer who transformed the space, and arranging a host of diverse events to take place in the shop and its spacious basement space every day we were open. The result was an enormously enjoyable experience for the whole team, some great PR coverage in the London press, and opportunities for customers to try out Azonto dancing, get their bikes fixed, learn how to recycle or refresh their wardrobe, meet cocoa farmers, and of course taste and buy a full range of Divine Chocolate.



Mary Appiah and Esther Ephraim Mintah sampling at Liberty's



The pop-up shop also provided an exclusive launchpad for our latest exciting flavours – the new Divine 70% Dark Chocolate with Chilli & Orange, and 38% Milk Chocolate with Toffee & Sea Salt, an excellent way to get first media reviews and instant feedback, which was extremely positive. In addition to being the stars at our shop – surprising and delighting customers by being on hand to tell them the story about the cocoa behind the delicious chocolate they were tasting – Mary and Esther also spent days with some of our stockists including **Liberty's** and **Whole Foods Market**. We also arranged for them to give a talk at one of the UK's leading agricultural colleges at Hadlow – a great meeting of farmers from different parts of the globe, and a chance for the cocoa farmers to marvel at the enormous size of our sheep and cows!

Divine new products and sales

The introduction of our new 70% Dark Chocolate Ginger Thins alongside our successful Mint Thins, as well as a new threesome of Chocolate Christmas Trees, boosted our Christmas listings and we had a good festive presence in **Waitrose**, **Oxfam** and **Traidcraft**.

Building on our move to bolder and brighter packaging design we presented a newly enhanced Easter range - with flagship Luxury Eggs now in fresh spring colours, and a host of new spring additions including Milk Chocolate Bees with a Honeycomb Crunch, and sets of Chocolate Chickens and Eggs bringing an exciting new line up to our customers. We were very pleased to have an Easter range for the first time in **Tesco** and in **Sainsbury's** for a number of years and we saw an overall increase on Easter sales.



Jenny Carlyle from Suma tries her hand at cutting pods

Good news too, from another long time retail partner **Oxfam**, where sales were growing at 9% due to running our first promotions with them, the success of our new flavours and more Oxfam bookshops stocking a range of our 100g bars.

Key to our long partnerships with many of our customers has been their desire to work with companies demonstrating particularly clear and direct relationships

with their suppliers. Divine's farmer-owned model fulfils and exceeds this requirement, and this year we have been very pleased to have the opportunity to host a visit to Ghana by our buyers from **The Co-operative** and **Suma**, giving them firsthand experience of what their support of Divine is achieving amongst cocoa farmers in Ghana.

We look forward to growing our food service business with the recruitment of new Account Manager Tom Pick, who joins us from 3663.

Dubble's star turns

Newly energised with a great new design, and new white chocolate variety, Dubble made a big impact during the year - not least with the appearance of two giant size bars in all sorts of places. They got down with the Azonto dancers at Divine's pop-up shop, and then featured in a Red Nose Day film



created by Lancaster and Morecambe College students. Their response to the "Do something funny for money" challenge was a Blues Brothers tribute with help from the funky Dubble duo, and surprise guest appearance by Dennis and Gnasher, our friends from Dubble's partner **The Beano**.

Dubble together with Trading Visions commissioned the creation of a Fairtrade Warrior sculpture for Fairtrade Fortnight, and worked with local school children to dress him in shiny Divine and Dubble chocolate wrappers and equip him with a shopping bag full of Fairtrade groceries.



Sophi and Mary with The Fairtrade Warrior

Dubble had a big sampling opportunity at the **Big Church Day Out** and a receptive audience to the exceptional story behind the chocolate bar. **Oxfam** was a key retail partner, stocking the new look Dubble Easter Egg and Egg Hunt Kit complete with the antics of Dennis the Menace and Gnasher, and also featuring a "2 for £1" promotion on the two Dubble bars.

Divine™

WORLDWIDE

Divine is SOCIAL

Twitter 15,879 Up 20%
Facebook 5,352 Up 36%
Database 63,546 Up 46%

Divine in the USA

Divine is a perfect baking ingredient and, for a nation of dedicated bakers, Divine USA launched a new baking chocolate range with national distribution. Promotion included advertising with **UTNE**, the US digest of independent ideas and alternative culture, which also delivered useful customer insights in return.

Divine's availability in the USA grew with increased national supermarket distribution through **Safeway** and **Wakefern**, and in New York City through **Nassau Candy**. Students will be seeing much more Divine now that **Barnes and Noble** College bookstores have placed Divine in over 100 universities around the country.



Divine™
POETRY COMPETITION 2013

*'There is Power in this chocolate
Power to make happiness.
Strength from the sun's blazing rays
Blessing the beans and the growers
- Transforming lives.'*

From "A Chocolate Hug" by
Annabel Saville, aged 8
- one of the winners of this year's
national Divine Poetry Competition
with Christian Aid,
judged by top children's author
Geraldine McCaughrean



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MANUFACTURER'S COUPON: Coupon Expires 12/31/13. CONSUMER: Coupon good only on the purchase of one Divine Chocolate baking product. Void if altered, reproduced, transferred, sold or auctioned. Consumer must pay any sales tax. RETAILER: Value \$1.00. Cash value 1/100 of 1 cent. Reimbursement: Face value of this coupon plus eight (8) cents which signifies your compliance with Divine Chocolate. Send properly redeemed coupons to S.E.A. Enterprises Inc., PO Box 1716, Dept. 0004, Lucerne, CA 95680.

Producer support and development

Each year Divine dedicates 2% of its income to a producer support and development programme with Kuapa Kokoo and its other supply chain partners. Over this reporting period, the programme supported Kuapa to undertake a number of activities to strengthen the democratic participation and management of its 80,000 members.

The radio programme 'Kuapa Mmere' (or 'Kuapa Hour') was successfully

launched in Western Region, an area that accommodates around 34% of Kuapa's members but whose inhabitants often feel isolated due to poor roads and communications.

This innovative radio show idea was aired over 8 consecutive weeks and reached approximately 15,500 farmers (nearly a quarter of total membership). Each episode featured a different topic specific to Kuapa's history, principles



WORLDWIDE

and operation - for example, the role of elected leaders and the relationship with Divine - as well as Kuapa news and jingles, guest speakers, agricultural advice, call-in spots and competitions. The programme proved to be very popular, with farmers gathering around PA systems to listen in some areas and applications for Kuapa membership increasing noticeably. Divine will continue to support Kuapa to roll out the programme more widely to other regions in the coming year.

More formally, the PS&D programme also supported Kuapa to undertake a review of its constitution to ensure that it remains fit for purpose as the organisation grows. Governance experts joined elected farmers on a review panel to test key areas of the constitution, and as a result revisions to strengthen Kuapa's commitment to gender equality, improve regional representation on the National Executive Council and

Kuapa Mmere goes out live on Ghana radio



introduce a robust process for filling vacancies were all put forward for consultation at Kuapa's Annual General Meeting.

All around the world

The Fairtrade movement is gathering momentum across many of the countries where Divine is now available. Our Norwegian partner is very proactive in finding ways and opportunities to promote Fairtrade to consumer and local retailers and businesses, and invited Divine's MD Sophi Tranchell to speak at a national Fairtrade conference.



Japanese subway ad promoting Divine



Kuapa Kokoo

It was with great sadness that we paid tribute to **Madam Christiana Ohene-Agyare** - the first woman President of the Kuapa Kokoo Farmers Union, who died after an illness in May 2013.

Christiana was a very committed member of Kuapa Kokoo, and had championed the rights and opportunities for women to take a more active economic and leadership role within their communities and the organisation.

Fatima Ali, the Secretary of the Kuapa Kokoo Farmers Trust, took over as interim President.



LOOKING FORWARD

In a world increasingly run by multi-national companies, Divine continues to offer an exciting range of delicious products and a business model that empowers the producers who grow the ingredients and the people all over the world that enjoy the chocolate.

This year in the UK we are going to focus on increasing sales in supermarkets, driven by sampling with coherent campaigns that demonstrably grow sales. We know that when people taste Divine half the battle is won as long as the chocolate is easily available through the places they shop. Chocolate Week is a great opportunity to demonstrate our chocolate credentials and reach new audiences with delightful partners across the country.

As more companies convert product ranges to Fairtrade, we are dedicated to developing delectable products that demonstrate the Divine difference particularly in terms of Fairtrade ingredients, the farmers we work with and the stories we tell. So in Fairtrade



Sophi Tranchell
Managing Director, Divine Chocolate Ltd

Fortnight we will launch new flavours with as many Fairtrade certified ingredients as possible and farmers from Kuapa will share their experience as the largest and most successful cocoa cooperative, founded on fair trade principles, in the world.

Through our producers support programme we will be working with farmers to build their businesses. With Kuapa we will be supporting its continued work with women members, improving their farming, leadership and literacy skills. Following last year's success, Kuapa farmers will broadcast their radio programme in more of the regions Kuapa operates in, particularly in the build-up to their elections in July.

With Twin, we will identify new farmers to work with, to diversify our supply base and support farmers to enter the international market.

Having successfully infiltrated the G8 summit back in 2005 with a gift of Divine Chocolate and strong message to keep a focus on Fairtrade, we were very pleased to manage once again to get a selection of Divine bars delivered to all delegates at the 2013 G20 summit, with a postcard highlighting the EnoughFood4f campaign, and calling for support for smallholder farmers worldwide.



Trading Visions is an educational and campaigning charity set up to build on the award-winning Fairtrade education work undertaken in partnership between Divine Chocolate, Comic Relief and Kuapa Kokoo.



A boy reads at a Kuapa Kids Camp

This year we made a successful funding application to Comic Relief's Street and Working Children grants programme to work with Kuapa Kokoo on an exciting new child rights project in Ghana. It is a two-year project to work with children in two Kuapa Kokoo communities and create safe, creative environments for them to get actively involved in issues of concern to them. Kuapa Kokoo appointed two new members of staff to work on the project - Bernard Koomson and Abigail Ampomah.

In Fairtrade Fortnight this year, we ran a discussion event called 'Can Small Farmers Save the World?' featuring biologist and campaigner Colin Tudge, Kuapa Kokoo farmers Mary Appiah and Esther Ephraim, Claire Rhodes from the Cafédirect Producers Foundation and Julie Brown, director of Growing Communities.

We also produced a new teaching resource showcasing farmer-owned Fairtrade nut company Liberation as an example of a successful social enterprise.



ACCOUNTS

SUMMARY FINANCIAL HIGHLIGHTS

Profit and Loss Account for the 9 months ended 30 June 2013

	9 months to June 2013 £'000s	12 months to Sept 2012 £'000s
TURNOVER	5,640	7,531
Cost of sales	(4,139)	(5,873)
Gross profit	1,501	1,658
Other operating expenses (net)	(1,442)	(1,693)
Other operating income	85	80
OPERATING PROFIT	144	45
Interest payable and similar charges	(77)	(20)
Interest receivable	1	1
PROFIT ON ORDINARY ACTIVITIES before Taxation	68	26
Taxation	(24)	1
PROFIT ON ORDINARY ACTIVITIES after Taxation	44	27

	9 months to Jun. 2013 £'000s	12 months to Sept 2012 £'000s
Producer support	113	151
	\$'000s	\$'000s
Fairtrade social premium	128	186
Hundreds of tonnes of beans used	617	900

These summary financial highlights do not constitute statutory financial statements for the periods ended 30 September 2012 and 30 June 2013.

The reports of the auditor on the statutory financial statements for the above periods were unqualified. The statutory accounts for the 9 months ended 30 June 2013 have been delivered to the Registrar of Companies.

For further information, the full Directors' Report and the full statutory accounts containing the audit report for the period ended 30 June 2013 should be consulted. Copies of these can be obtained from the registered office.



To grow a successful global farmer-owned chocolate company, using the amazing power of chocolate to delight and engage, and bring people together to create dignified trading relations, thereby empowering producers and consumers.

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A BIG THANK YOU

To all the staff, board and everyone at Kuapa Kokoo

Esther Ephraim Mintah and Mary Appiah from Kuapa Kokoo for being Divine ambassadors on our Fairtrade Fortnight tour

The creative people who make Divine look as good as it tastes: Kathryn Samson, Chris Basista, Stephen Waterhouse, GHP, Kube Printers, Jeremy Timings

Temporary interns and volunteers at Divine: Emmanuel Darko, Helen Daniels, Linda Anderson, Sue Bentley, Bethany Marston, Alex Kragiopoulis, Alice Tall, Gabor Durovics, Mel Goeller, Fenner Thomson, Reena Agarwal, Caoimhe Ryan, Jane Snell, Verity O'Shaughnessy, Joti Chana, Amy Ross, Rachel Hearson, Victoria Waugh, Louise Wilson, Valerie Joseph

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