END HUNGER GROW FARMING
FARM AFRICA

ANNUAL REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

REGISTERED CHARITY NO: 326901

REGISTERED COMPANY NO: 01926828

Contents

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REPORT FROM THE CHAIR

As the Chair of Farm Africa, I am very pleased to present our annual review and consolidated financial statements for the year ended 31 December 2013.

This is my first Report from the Chair and I feel privileged to be assuming the mantle from Dr Martin Evans, who so ably led Farm Africa's board of trustees from 2009 to June 2013. Born in Tanzania, I felt it was a great honour to be appointed chair of a charity that has been there, on the ground, working shoulder-to-shoulder with Africa's farmers for nearly 30 years.

In the relatively short time I have been involved I have been inspired and encouraged by Farm Africa's work and future vision. We focus on delivering permanent solutions to hunger and food insecurity, and I am very pleased to announce that in 2013 we reached one million people for the very first time. This remarkable success reflects the growth of Farm Africa and some of our most exciting ventures, such as Sidai, our Kenyan social enterprise, and our outstanding forestry work in Ethiopia and Tanzania.

In 2012 we launched an ambitious strategy, and 2014 marks the midpoint of those plans and presents an opportunity to reflect on our progress. Our 2013 beneficiary success puts us well on track to deliver our target of directly supporting 1.5 million people in 2016 and beyond, and activities such as Sidai and our forestry work will help us deliver a second ambitious goal for the organisation: to roll out a minimum of six development models that deliver sustainable change at scale across eastern Africa.

Our progress towards this second goal was boosted in 2013 by the confirmation of grants for two very exciting, potentially transformative new projects in Ethiopia. Firstly, the European Union awarded us €5 million to lead a multi-partner, three-and-a-half-year project on the sustainable management of Ethiopia's Bale Eco-region. Secondly, we were awarded a £280,000 project development grant by the Department for International Development in the UK for the detailed scoping of a plan to build the resilience of climate-vulnerable people in lowland Ethiopia.

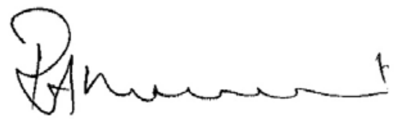
2013 was also a very successful year in terms of unrestricted fundraising, which totalled £2.4 million, thanks to a record-breaking, UK aid-matched Christmas appeal and a packed calendar of exciting fundraising activities.

I am particularly delighted at the success of our Food for Good campaign, which brings together the food and hospitality industry to help end hunger in Africa, for good. Over the last year I have seen the industry come together to raise over £500,000 to demonstrate their commitment to the cause. In May 2013 a group of women leaders from the food and hospitality sector travelled to Kenya to dig a swimming pool-sized fish pond alongside local women. August saw a team of award-winning chefs and well-known figures from the hospitality world scaling Mount Kilimanjaro, and in September I joined senior food executives on a six-day, gruelling fundraising trek across the Great Rift Valley in Tanzania.

As we look to the year ahead, I see ambitious plans to drive forward the scale and impact of our work. We will focus on embedding our expertise so that it contributes to the design, implementation and evaluation of our projects. We will build our visibility and reputation as technical experts; sharing our learning while continuing to provide African farmers with the skills and tools to increase their harvests and engage with more profitable markets for their produce.

On behalf of the board of trustees I would like to thank Dr Martin Evans for his four years of board leadership. It has been a privilege to have his wisdom and expertise on the Board and I hope that I can continue to lead my colleagues with the same enthusiasm and commitment that he demonstrated. This year, Helen Pankhurst, our deputy chair, Richard Lackmann, our treasurer, Nader Mousavizadeh and William Otim-Nape are also standing down as trustees. A huge thank you to Martin, Helen, Richard, Nader and William for all they've done to help Farm Africa and I hope to be able to update you on their successors at the annual general meeting.

Lastly, can I thank Farm Africa's trustees, directors, advisers and staff, and our patron and ambassadors, for all they do for Farm Africa. I have absolutely no doubt that with their commitment and support we will continue to make great strides towards helping African farmers grow themselves out of poverty, forever.



Richard Macdonald CBE, chair

28 May 2014

REPORT FROM THE CHIEF EXECUTIVE

We are now halfway through our four-year strategy, and at the end of a very successful and exciting year for Farm Africa we can see detailed in this annual report the considerable progress that we have made to date. I'm very pleased that Farm Africa has worked directly with nearly 1.2 million people in 2013, ahead of our target of one million beneficiaries and well on the way to our strategic goal of 1.5 million by 2016. Sidai Africa Limited, our Ethiopian forestry work and some exciting new grants are also helping us to deliver our second goal of helping to create real change at what we call macro level by developing models that are both sustainable and scalable.

But the quality of our work remains key, and therefore I'm particularly encouraged that Farm Africa has made considerable progress in developing our ability to measure better and evidence our impact on the ground. Working at household level to support farmers to grow their incomes and manage their natural resources sustainably, we can demonstrate that African smallholder farmers can close yield gaps, supply products to local, national and international markets and retain more value at the farm gate. Why does this matter? It matters because through increased incomes, parents can send their children to school build better homes and reinvest in their farms. It means they can look forward to a better, independent future for themselves, for their children and for their children's children. And it also means that Africa's farmers can be the solution to Africa's food security issues.

We continue to create real impact through our cutting-edge work on community-led natural resource management, where we are working with both forest and rangeland communities. Our forestry programme encourages the sustainable use of forest resources by securing access rights and forming partnerships between government and communities while developing forest enterprises that do not require the forest to be cleared. Community participation for forest management (PFM) has demonstrated its potential in addressing deforestation and degradation as farmers acquire legal rights to participate in forest management and share forest benefits. We were honoured in 2013 to host members from the International Development Committee who chose to visit Farm Africa's work in Benishangul Gumuz in western Ethiopia; this prestigious visit is a reflection of our growing reputation in this area.

To help deliver increasing change on the ground, we are continuing to build Farm Africa's technical expertise, and are refining our focus on two main themes, namely:

1. Community-led natural resource management and resilience
2. Smallholder productivity, organisation and market access.

As examples of the former, we are part of the World Bank's climate smart initiative in Ethiopia and have been chosen to lead a multi-partner project on landscape management under the EU's SHARE programme in the Bale eco-region. On the latter, we are increasing our work linking markets to farmers, and have recently recruited a Head of Market Engagement to provide strategic leadership for the organisation. Given that smallholder farmers still contribute over 90% of Africa's agricultural production, agri-businesses are increasingly looking to engage with smallholders but are aware that they often lack the skills to engage effectively, which provides a very interesting opportunity for Farm Africa. Having worked with multinationals such as SABMiller and Diageo, we are also building our links to local SMEs, in particular through our Maendeleo Agricultural Enterprise Fund. I was privileged in June to address the pre-G8 "New Alliance for Food and Nutrition Security" meeting in London in front of African heads of state, ministers and CEOs of global companies on the importance of public/private partnerships working with smallholder farmers to integrate them into sustainable value chains. As one of only two NGOs invited to speak, the event showed how our work is of great interest and importance to global decision-makers because of our grass-roots experience and knowledge.

2013 was a record year for Farm Africa in terms of our income; that reflects growth across our income streams, including grants from institutional donors, donations from supporters and growth in revenues at our social enterprise, Sidai Africa Ltd. We were also pleased that our very successful consortium partnership with Self Help Africa will continue for another two years, as the UK's Department for International Development has decided to provide strategic funding under its PPA scheme for another two years. This vital funding stream has allowed us to invest in our impact measurement, build technical expertise such as our new Head of Forestry role and test new and innovative approaches to development. Exciting new institutional grants include a new grant from the Bill & Melinda Gates Foundation under its Grand Challenges initiative for testing energy-saving technologies for women farmers, from the Ford Foundation for aquaculture work in Kenya, and from the Food and Agriculture Organisation of the UN (FAO) for crops work to name just three.

Our profile and supporter base have continued to grow; we were delighted to be chosen as one of the recipient charities for the Guardian newspaper's Christmas appeal, which allowed us also to qualify for UK Aid Match funding for our work in Tigray in northern Ethiopia. Our famous patron, Michael Palin, returned to Ethiopia to see that same project and highlight our work as guest editor of the Today programme at the end of 2013. And our Food for Good campaign with the food and hospitality industry within the UK has not only raised more than £500,000 but has also lifted awareness of the challenges of food insecurity in sub-Saharan Africa and the role of smallholders in providing solutions to that insecurity.

Though 2013 was a year of great success, we continue to aim high. We want to push boundaries, be experts in our field, act for the long-term, share knowledge and work flexibly – our core values. We want to keep growing: not for growth's sake, but to work alongside more communities, changing behaviours to help smallholders achieve rural prosperity in Africa. I would like to take this opportunity to thank all of our funders, partners and supporters for all of your support; without you, we could not achieve any of the impact we are celebrating in this report. At the same time I must thank my amazing staff and trustees who show such great commitment and dedication to our life-changing work, and in particular to our field staff who lead our work on the ground in often highly-challenging environments.

And just a personal note to finish. I was recently in Tanzania where we are supporting farmers to grow sesame. By helping them triple yields through better seeds, and through the creation of a producer group that can negotiate better prices, quite literally thousands of people are being lifted out of poverty permanently. For Teresia, one of the farmers, the project has made the difference between a leaky shack and a concrete house. Sitting with her, in a warehouse full of sesame for export to Europe, you can also sense the confidence, self-reliance and pride that are the softer effects of our work. Grow more, sell more, adding value – all this adds up to changed lives.

Nigel Harris, Chief Executive
28 May 2014

ANNUAL REPORT OF THE BOARD OF TRUSTEES

The board of trustees of Food and Agricultural Research Management Limited (Farm Africa), which is also its board of directors, hereby presents its report (incorporating the strategic review and the directors' report) together with the financial statements for the year ended 31 December 2013.

LEGAL OBJECTS, STRATEGIC VISION, OBJECTIVES AND METHOD OF WORKING

Farm Africa aims to end hunger in, and bring prosperity to, rural Africa. We work with different types of farmers (pastoralists, agro-pastoralists, smallholders and forest-dwellers) in a range of regions in eastern Africa. Their specific situations vary but most are facing increasing economic, health and environmental vulnerability. We work with these farmers and other stakeholders to develop, test and support the rollout of successful solutions to achieve long-term improvements in both food security and farmer incomes. This work is enshrined in our charitable objectives:

- to relieve the poverty of farmers, agricultural workers and herders enabling them to improve the effective management of their natural resources,
- to promote the improvement of agriculture, horticulture, food production, storage and distribution and conduct research in these subjects. To publish the results of such research and to disseminate knowledge for the benefit of the public and to encourage skill and industry in husbandry,
- to promote the improvement of livestock and poultry and the prevention and eradication of disease therein, and
- to promote the education of the public in, and the furthering of, the interests of agriculture, horticulture, arboriculture, apiculture, animal husbandry and related industries.

We implement these objects through pursuing our organisational vision and mission:

OUR VISION: a prosperous rural Africa.

OUR MISSION: we reduce poverty permanently by unleashing African farmers' abilities to grow their incomes and manage their natural resources sustainably.

We have been working in eastern Africa for nearly 30 years and now have programmes in Ethiopia, Kenya, South Sudan, Tanzania and Uganda. We work at the intersection of building incomes and managing agricultural natural resources. We focus on crops, livestock and forestry and have a track record of world-class technical expertise and delivery. We are recognised for the quality of our more than 200 staff in eastern Africa who work closely with local communities to ensure an approach that combines an understanding of local cultures with expert knowledge.

We are known for delivering projects that produce long-term sustainable solutions grounded in robust evidence. Combined with our innovative thinking, this approach has enabled us to increase our impact in helping Africa's farmers feed Africa's people.

OUR VALUES: we believe smallholder farmers can and will play a key role in achieving rural prosperity in Africa.

We deliver this by:

- **Being experts in our field:** delivering insightful and impactful evidence-based solutions
- **Pushing boundaries:** being creative with old and new solutions and approaches
- **Acting for the long-term:** building relationships and delivering long-lasting change for farmers
- **Working flexibly:** taking advantage of the most effective solutions, whether from communities, the private sector, civil sector or government
- **Sharing knowledge with others:** reaching more farmers than we could alone and ensuring effective technologies are widely accessed.

In order to achieve impact we work on three levels:

STRATEGIC REPORT

Our *Strategic plan 2012 – 2015* outlines two goals:

- By 2016, we will be directly helping 1.5 million people a year to:
  - Build long-term food security, significantly increase their household income and move out of poverty
  - Implement sustainable agricultural and forestry management practices that enable them to better withstand climate change challenges, protect natural resources and enhance productivity.

- By 2016, we will have rolled out a minimum of six development models that deliver sustainable change at scale across the region, indirectly improving the lives of over 15 million people each year in eastern Africa.

In addition, we have identified six enablers that are critical to ensuring that we are properly equipped to deliver our organisational goals. More detail on these and all our future plans is given in Farm Africa's *Strategic plan 2012 – 2015* which can be downloaded from our website www.farmafrica.org.

EXTERNAL ENVIRONMENT

Any review of performance needs to be placed in the context of the external challenges that we faced during the period.

ETHIOPIA

All NGOs continue to face challenges in meeting the charities and societies agencies legislation, not least the administrative spend cap defined within. We are working hard to comply with the legislation and made great progress in 2013. Our technical relationships continue to go from strength to strength, especially with the newly-formed Ministry for Forests and Environment, with whom we are collaborating closely on a range of important initiatives key to the delivery of the climate resilient green economy strategy of the Government. We are proud of the positive working relationship we have with the Government of Ethiopia and look forward to this continuing in future years.

KENYA

The instability of the security situation in Kenya has been of some concern, particularly in the northern areas of the country. However, the business environment is open and companies are eager to engage with organisations such as Farm Africa to ensure the consistent supply of product from smallholder farmers. Throughout 2013 the political climate was relatively stable, and Farm Africa's traditionally positive relationship with local government has proven to be a definite advantage as devolved county government structures solidify. We are making sure to keep abreast of the rapidly-changing agriculture and livestock policy environment which is currently taking shape.

SOUTH SUDAN

Although a ceasefire agreement was signed in January 2014, the conflict that started in December 2013 between President Salvar Kiir's government and a faction of the armed forces led by his former deputy Riek Machar continues in the north of the country. Normal conditions are returning to Juba, south and south-east South Sudan and a small number of staff members from relief agencies have returned, but the situation is still best described as fragile.

TANZANIA & UGANDA

In Tanzania, ongoing parliamentary discussions regarding a new constitution have dominated the political agenda. So far there are no signs of any destabilising tendencies.

The Tanzanian government placed a special focus on wildlife protection and natural resources management, and towards the end of 2013 new ministers were appointed to the Ministries of Agriculture, Natural Resources, Fisheries and Livestock.

The Tanzanian government's focus on the big results now initiative and the southern agriculture growth corridor of Tanzania (SAGCOT) offers great opportunities for Farm Africa to engage with the private sector, which has been encouraged to invest in these areas. In Uganda, we continue to build relationships with donor agencies, and are seeing interesting opportunities to support smallholder-focused development.

BENEFICIARY DATA

Accurate measurement of beneficiary data is vital for Farm Africa to assess progress towards our strategic targets and communicate our reach to donors, supporters and other stakeholders. These widely-recognised definitions of direct and indirect beneficiaries are used to collate accurate and consistent data across all Farm Africa projects:

Direct beneficiaries: individuals who have a direct interaction with Farm Africa staff and receive a specific identifiable benefit. This category includes the household members of these individuals and, wherever possible, they are disaggregated by gender. Examples of benefits that individuals could receive include training, livestock, tools, seeds and credit to start a business. Where individuals receive multiple different benefits from a project, care is taken to avoid 'double counting'. Direct beneficiaries are measured by the project.

Indirect beneficiaries: individuals who benefit from an intervention that Farm Africa has helped to establish. Impact and attribution here varies but typically impact is secondary, and it can be more challenging to specifically attribute the impact to a project. The project will therefore usually estimate these, and they will be moderated by Farm Africa's programme team. Our forestry project, in Bale, Ethiopia offers another example of indirect beneficiaries: the indirect impact of improvements to the watershed are estimated to positively around two million people who are dependent on the hydrology of that region. Neither impact nor attribution are directly measured and are instead based on reasoned theories of change.

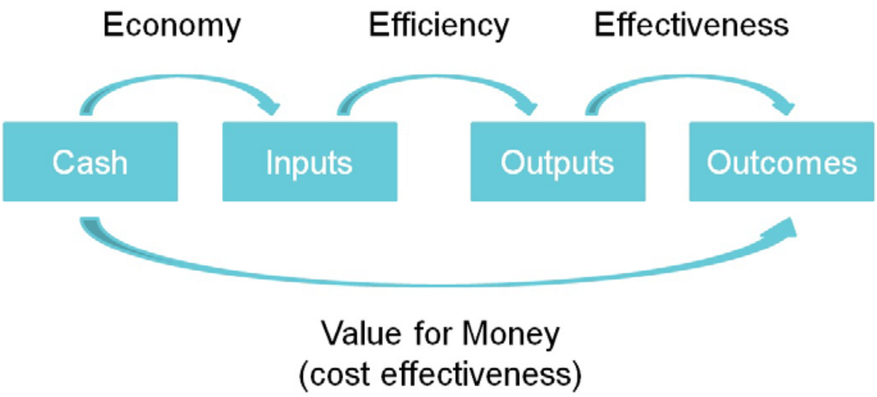
For 2013, we estimate that we reached 1,164,000 direct beneficiaries and around six million indirect beneficiaries. For 2012 these figures were 895,000 and six million respectively, which demonstrates a 30% increase in the number of direct beneficiaries while the number of indirect remains stable. This stability is to be expected, as a large proportion of indirect beneficiaries come from forestry projects, which typically cover large areas, that have continued at a similar size from 2012 to 2013. We are continuing to standardise the methods used to count beneficiaries across our projects as well as measuring the value of that impact for the beneficiaries.

VALUE FOR MONEY APPROACH

During 2013, we have made considerable progress with formalising our organisational approach to value for money (VfM) recognising the importance of a clear and common understanding of what the concept means to Farm Africa.

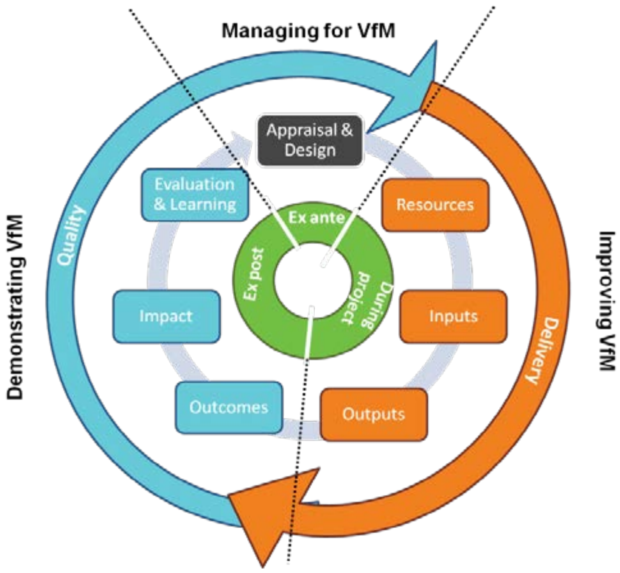
We have prioritised the development of a VfM framework rather than making ad-hoc changes to our way of working. We have drawn on the widely-used '3Es' structure to inform the design of a VfM monitoring and reporting framework.

The '3Es' VfM framework



While the 3Es approach provides a solid base, we agreed that delivering VfM for Farm Africa requires the addition of two further components: sustainability and learning. Sustainability is vital for achieving VfM in agricultural development and natural resource management. If a project's results do not last beyond our involvement, it cannot be said to deliver good VfM. We also recognised the need for a stronger organisational focus on learning and feedback loops. The expectation is that greater VfM will be achieved over time if the learning from one context is shared and then systematically influences the design of another.

The work has led to the development of a cyclical framework, which separates out the key aspects of VfM and incorporates them into each stage of the project cycle.



This cyclical framework can be mapped to projects, systems and processes and helps us to identify any VfM gaps or where our work could be strengthened. An example of this in practice is our 2013 decision to increase our focus on organisational learning and allocate resources to research more strategically so that we can clearly identify, from the outset, what we want to learn from a new project.

In 2014 we plan to apply the VfM framework more widely across the organisation and devise a comprehensive plan for filling any gaps, thereby aligning our existing ways of working with the development of our VfM thinking.

HOW DID WE DO AGAINST OUR 2013 OBJECTIVES?

OUR GOALS

Goal one: we will aim to reach up to one million people directly in 2013, building our programmes across our five countries with a particular focus on growing our work in Kenya and Tanzania as well as continuing our excellent momentum in Ethiopia. We want to ensure a medium-term balance across our work in crops, livestock and forestry, developing our expertise in climate-smart solutions for smallholder farmers and promoting income growth and sustainable natural resource management as core to our direct programme work. We will continue to grow the proportion of our work that helps farmers maximise post-harvest value, developing our understanding of demand for farmers' produce and building market linkages.

We exceeded our goal of directly reaching one million beneficiaries in 2013 – we estimate that we reached 1,164,000 people. This significant achievement was led by our forestry work in Ethiopia and Tanzania and by the growing number of farmers served by Sidai Africa Limited in Kenya.

The following paragraphs provide some illustrative examples of how we have been helping smallholder farmers increase productivity and income while implementing sustainable practices:

Developing expertise in climate-smart solutions:

- Our involvement as a key partner in the climate smart initiative (CSI) in Ethiopia offered us an opportunity to further develop our climate resilience expertise and share our programmatic experience. The CSI is an initiative designed to strengthen two important food security programmes in Ethiopia and possibly transform one of them into an approach that adapts to and manages climate risk. Farm Africa is a valuable partner in this initiative thanks to our regional experience and strong farmer relationships in Ethiopia.
- With support from the European Union (EU) we started a new resilience project in 2013 to help improve the productivity and incomes of Kenyan smallholders: the livelihood diversification through sorghum and green grams value chain development project. Operating for three years and working with 40 farmer producer groups in 7,000 households in Kitui County, the project aims to increase production of drought-tolerant varieties of sorghum and green gram crops and seeds and improve access to profitable markets through bulking, grading, storing and other processing activities. Findings from the project will be used to develop a working model for dryland farming, disseminated to government, private sector and NGO stakeholders working in Kenya's arid and semi-arid lands.
- In 2013 we built on our knowledge of natural resource management and resilience to develop a participatory rangeland management approach which is new to Ethiopia's Afar region. A three-year project funded by Cordaid started in February 2013 and is expected to grow the resilience and livelihoods of over 17,000 pastoralists in this drought-prone region.

Helping farmers maximise post-harvest value:

- It is vital for the long-term sustainability of our projects that we not only support farmers to increase their productivity but that they also understand how to maximise post-harvest value and to add value to their products. An outstanding example of our success in doing this comes from our sesame production and harvesting project in Tanzania. Farm Africa supported the formation of farmers groups to test which variety of improved sesame seed grew best in their local conditions and to apply improved farming techniques. With Farm Africa's training, farmers have reduced post-harvest losses from 30% to 20% and reduced impurities from 12% to 2%. These improvements combined with the development of added value sesame products, such as snacks and body products, has been transformational – a survey of 100 project participants found an average increase in sesame revenue of 180% from 2011 to 2013. Farm Africa has also selected ten farmers to train as seed multipliers so that all the farmers in the area have an on-going and accessible source of improved sesame seeds into the future.

Promoting sustainable natural resource management:

- Since 2001 Farm Africa has been supporting communities in the Nou Forest in Babati, Tanzania to sustainably manage forest resources and in 2012 we began the sustainable Nou Forest ecosystem management programme. This programme focuses on building the capacity of local authorities to implement participatory forest management while working with producer groups to develop income-generating activities trialled during previous phases of our work
- So far, 27 new producer groups specialising in beekeeping, mushroom farming or raffia weaving have been formed in 20 villages, while the 39 pre-existing groups have continued to receive training and support from government extension services. The groups comprise 75% youth and 50% women. The project aims to establish a further 39 producer groups in 2014.

Goal two: we will further develop our successful development models of 2012, including our social enterprise Sidai which has made encouraging progress to date, our groundbreaking work on participatory management models and our work in linking smallholders and major buyers in a scalable way. We will continue to test new and existing initiatives that have a real opportunity to become deliverers of macro change; as examples these are likely to include our work on resilience, aquaculture and forest incomes.

Sidai Africa Limited:

- Sidai Africa Limited is a subsidiary organisation wholly-owned by Farm Africa that operates as a social enterprise in Kenya's livestock sector. Launched in 2011, its aim is to revolutionise the way that livestock and veterinary services are offered to pastoralists and farmers in Kenya. In 2013, Sidai served over sixty thousand farmers and grew the number of franchisees from 30 to 56. The company now has a total of 62 outlets including six company run stores and Sidai's first franchise inside a supermarket, generating an year on year increase in sales turnover of 74 million kes or 254% (2013: 122 million kes, 2012: 48 million kes).
- By 2015, Sidai aims to operate a quality-controlled, franchise business network of at least 150 outlets supporting 300,000 livestock-farming households to secure their incomes and household security. Word of Sidai's success is spreading fast and is attracting an increasing number of animal health professionals to seek franchise opportunities.

Forestry:

- For over a decade Farm Africa has been working with the EU and SOS Sahel Ethiopia to help eastern African communities find new ways of earning a living from the forest's natural resources while keeping the fragile ecosystem protected. Our strengthening sustainable livelihoods and forest management project in Ethiopia aims to secure the sustainable management of Ethiopia's forests and reduce environmental degradation across four regions of Ethiopia. A recent independent review stated that "the project has significantly enhanced local capacity to manage natural resources through support to the formation, registration and capacity building of forest management groups and cooperatives. With 18 months still to run, the project has achieved 78% of its 270,000 hectare target coverage for participatory forest management (PFM). The project has also contributed to positive changes in the wellbeing and livelihoods of beneficiary populations across the four regions through the support provided to developing non-timber forest product enterprises, particularly honey, forest coffee and spices, incense and bamboo.
- In addition, the project has supported the development of regional forest policy, laws and regulations which incorporate PFM and user rights of forest-adjacent populations and has enhanced accessibility to natural resources and strengthened local rights through support to the formalisation of PFM agreements between communities and government."

Natural resource management and climate resilience:

- In 2013 Farm Africa was awarded two significant grants for programmes in Ethiopia that could deliver real change at scale. Both see the organisation acting as the lead in sophisticated consortia and both have cutting-edge design, one around a landscape approach to resource management and the other involving the private sector in provision of resilience interventions. The SHARE grant by the EU for sustainable management of the Bale Eco-region in Ethiopia is a €5m award (for a three and a half year contract); the £280,000 funding from DFID is for the detailed scoping of a project plan under their BRACED call (building resilience and adaptation to climate extremes and disasters).

- Both the SHARE and BRACED programmes in Ethiopia offer exciting opportunities to develop sustainable development models related to community-based natural resource management and climate resilience.

On our cross-cutting priorities of gender and youth, we acknowledge the need to mainstream these more into our work. We will undertake to disseminate more specifically our considerable learning on working with women farmers and to develop at least two youth-focused projects, including a specific Maendeleo Agricultural Enterprise Fund (MAEF) round on youth.

- Farm Africa's youth empowerment through sustainable agriculture (YESA) project entered its third year in 2013. The project teaches key agricultural and life skills to out-of-school 'youth', defined by Kenya as up to the age of 30. YESA also offers training in how to write good quality business plans for commercially-viable enterprises that can be used to obtain loans from local funding institutions. The Baraka youth group, which started a vegetable production enterprise during the pilot phase, was supported by the project to access greenhouse farming technology through the government youth loan scheme, youth enterprise development fund.
- In 2013 we set up a cross-country gender working group to implement an action plan to improve the mainstreaming of gender across all Farm Africa offices, with gender champions appointed for both the senior management team and the board.

PROGRESS AGAINST OUR ORGANISATIONAL ENABLERS

As part of our *Strategic plan 2012-2015* we identified six key enablers to ensure we are properly equipped to deliver our organisational goals. We have achieved substantial progress in this area and key achievements in the year include:

Programmes

- Develop our expertise to give more value to farmers, linking them to markets and finding new ways to engage with the private sector

During 2013 we worked with external consultants on a market engagement study to help us build on our core strengths around farmer productivity and bring markets closer to smallholders. We analysed the external environment for new market engagement opportunities and identified some internal development needs. We are appointing a head of market engagement in 2014, based in Nairobi, to help us take advantage of the many opportunities identified.

Outcomes and impact

- Develop a more comprehensive system for measuring outcomes, impact and value for money

Since the recruitment of a head of impact at the end of 2012 considerable progress has been made in the improvement of our monitoring, evaluation and learning processes. 2013 saw a focus on building the capacity of field teams to collect, use and report more project data through a combination of workshops and tailored remote support by email and phone.

This included the initiation of an annual Monitoring and Evaluation Workshop, with the first held in Addis Ababa and Nairobi in November, focussing on building knowledge around results-based monitoring, its fundamental importance in management and the relevant tools in use within Farm Africa, particularly the use of the linear log frame. A standard template for external evaluation terms of reference was also developed and rolled out to ensure consistent quality and improved opportunities for cross-team learning.

Building on progress so far, 2014 will see an increased focus on organisational learning, moving beyond the collection of data and reflecting on how we use it to understand and improve our impact on the ground.

Partnerships

- Establish two to three formal and long-term partnerships (with NGOs, private sector or research institutions) which could lead to new work

A strong example of the impact of our focus on strategic partnerships is the £280,000 project development grant we received from DFID for the detailed scoping of a plan to build the resilience of climate-vulnerable people in lowland Ethiopia. This was the result of building solid relationships with such diverse organisations as Mercy Corps (a major international NGO) and Lions Head (a London-based investment bank).

Research and development

- Focus on developing research and sharing learning on forestry and resilience

The appointment of a forestry thematic expert allowed us to reach out to networks of academics and practitioners. We plan to publish thought leadership pieces on forestry in 2014.

Working with our programme partnership arrangement (PPA) partner Self Help Africa, we tested a framework for assessing resilience outcomes among communities who are exposed to a variety of interventions across a range of country contexts.

Farm Africa produced articles for *8 views for the G8*, a publication prepared by Agriculture for Impact in advance of 2013's G8 summit. The articles covered sesame production and marketing in Tanzania and the delivery of livestock services in Kenya. Farm Africa was one of only two NGOs invited to speak at the pre-G8 new alliance for food and nutrition, and addressed an audience comprising heads of state and CEOs of global businesses on the subject of our work.

Fundraising and communications

- Increase our unrestricted fundraising with a donor recruitment campaign and support from major donors

Our unrestricted fundraising strategy has proved to be effective, with an increase in unrestricted income of over £600,000. We were proud to be awarded UK Aid Match funding for our Christmas appeal which was linked to the Guardian. This was the most successful appeal we have ever run and our sincere thanks go to everyone who made a donation. Other highlights in the year were Michael Palin's reports on our project in Tigray, Ethiopia which were carried on the Radio 4 appeal and on the Christmas Today programme. The Food for Good campaign which is supported by the UK food and hospitality industries goes from strength to strength and we are extremely grateful to all the organisations who have got behind this as well as the individual challenges who have dug, trekked and climbed to help raise money.

Corporate organisation and culture

- Develop our best asset, our people, implementing policies and processes that support a high-quality, motivated workforce

Work has continued in embedding high-quality performance management to encourage and enable our people to deliver effective programmes for our beneficiaries.

- Ensure everyone has access to the same key information and communication tools

In 2013, we invested in tools and training to improve the way we communicate and share information internally and ensure better VfM in this area. These included training on Yammer, our enterprise-wide online network; setting up VoIP phones in our hub offices to allow free calls between them and development of a programmes database (PAL) to provide a go-to source of programmatic information.

PLANS FOR THE FUTURE

In 2014 we will focus on two main themes to help make a substantial and lasting difference in the lives of the smallholder farmers we support:

- Community-led natural resource management and resilience
- Smallholder productivity, organisation and market access

2014 will see a focus on three themes, delivery, quality and design, all with the aim of creating real change in the lives of the farmers and communities we are working with. We will place a particular emphasis on sustainability and opportunities to move to scale.

We will also continue to concentrate on the core enablers we identified in the *Strategic plan 2012-2015*, with a focus on the following:

Programmes

- Reach 1.2 million beneficiaries in 2014
- Initiate two new development models that can be scaled
- Raise a minimum of £12 million of contracted funding
- Design cutting-edge and innovative new programmes with special emphasis on sustainability and market engagement
- Build on our progress in gender and identify at least two youth-focussed projects
- Have in place thematic experts for forestry/natural resources, crops, markets/value chains and ICT.

Outcomes and impact

- Continue to implement VfM considerations across the programme cycle
- Continue to build on our progress in measuring and evidencing impact, broadening this into a wider focus on the quality of our field work.

Research and development

- Drive forward the forestry agenda and publish thought leadership pieces

Publish pieces on our market engagement research and climate resilience and adaptation.

Partnerships

- Expand the number of successful multi-partner partnerships, working more closely with key partners.

Fundraising and communications

- Raise a minimum of £2.4 million of unrestricted funding
- Increase the technical content of our printed and online materials so as to appeal to a wider variety of audiences.

Corporate organisation and culture

- Roll out the Farm Africa leadership programme to build a high-performing organisation
- Improve our knowledge management systems to better share technical knowledge and expertise

RISK MANAGEMENT

The board is responsible for ensuring that there is an appropriate procedure for the management of any risks faced by Farm Africa. Assisted by senior staff, the board regularly reviews and assesses the major risks to which Farm Africa is exposed, in particular those relating to the operations and finances of the organisation, and receives a report regarding the status of those risks and the mitigating actions and controls that are in place. At each meeting the board also reviews in depth Farm Africa's response to a key area of risk that is not covered more regularly.

The three most significant risks identified by the board are:

- maintaining and increasing programmatic funding,
- reliance on a small number of key staff, and
- security risks arising in the countries where we operate.

The environment in which Farm Africa works is inherently risky. Farm Africa seeks to manage the resulting risks by spreading its work over a number of countries and contexts and by sourcing funding from as wide a variety of funders as possible. A regular programme of internal auditing provides additional support for the trustees in considering the effectiveness of the controls. In 2014, Farm Africa has introduced a leadership development programme to help improve succession planning.

Moreover, Farm Africa is committed to innovation in its operational programmes, and as a result will often engage in activities that are new or untested elsewhere. This strategy will inevitably increase the level of risk to Farm Africa. The board fully supports this strategy, and is satisfied that the management systems in place provide reasonable, albeit not absolute, assurance that identifiable risks are managed appropriately.

PUBLIC BENEFIT

Charity trustees have a duty to report in the trustees' annual report on their charity's public benefit. They should demonstrate that:

- The benefits generated by the activities of the charity are clear. This report sets out in some detail the activities which Farm Africa has carried out in the year to further each of our four strategic objectives

- The benefits generated relate to the objectives of the charity. All activities undertaken are intended to further Farm Africa's charitable objectives
- The people who receive support are entitled to do so according to criteria set out in the charity's objectives. All Farm Africa projects are centred around rural African farmers (pastoralists, agro-pastoralists, smallholders and forest-dwellers), the target beneficiary group specified in our first charitable objective.

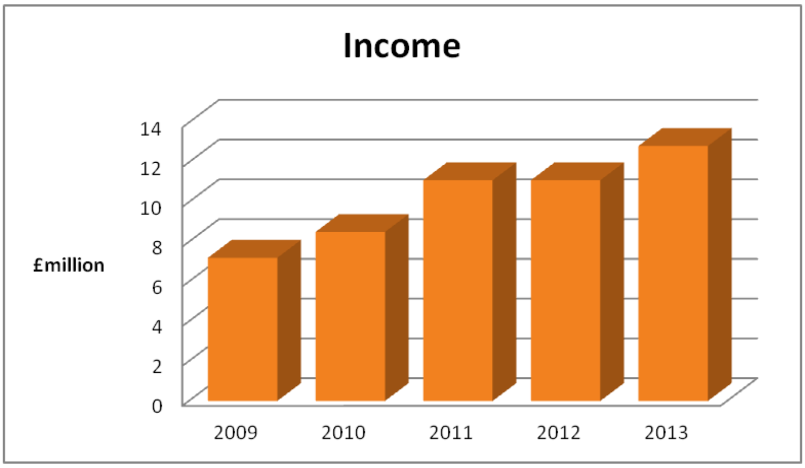
The trustees have therefore satisfied themselves that Farm Africa meets the public benefit requirements and they confirm that they have taken due regard of guidance contained in the charity commission's general guidance on public benefit and the specific guidance on the prevention or relief of poverty for the public benefit where applicable.

FINANCES

OVERVIEW

At the mid point in our strategy for 2012 – 2015 we are starting to see the benefit of decisions taken earlier in that period. 2013 has proved a successful year for Farm Africa financially. Our income grew from £11.1 million to £12.8 million, an increase of 16%. This includes the results of our subsidiary undertaking, Sidai Africa Limited, but includes substantial growth within Farm Africa entity too.

INCOME



As noted above, our total income has increased to £12.8 million (2012: £11.1 million). Of particular note is our fundraising income (excluding grants) which grew by nearly 30% to just under £2.4 million (2012: £1.8 million). We have chosen to invest in our fundraising capacity in order to ensure the future financial stability of Farm Africa once the PPA funding stream comes to an end and we are starting to see the results of that investment. We will be continuing to invest in this area during 2014.

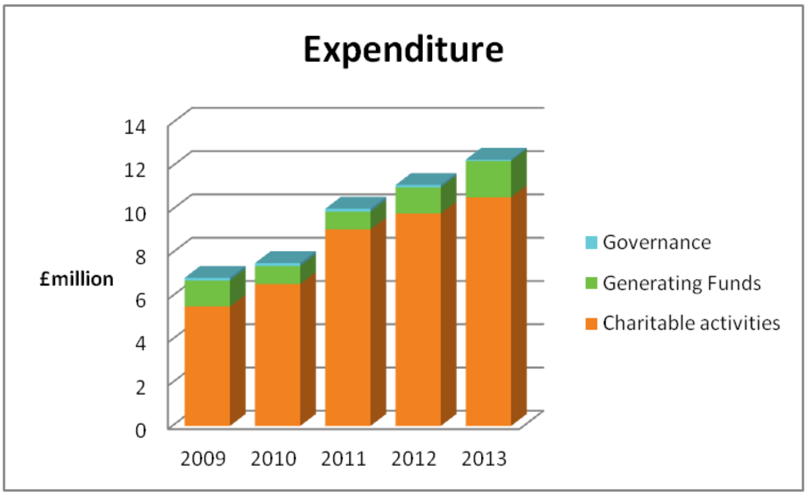
Other unrestricted income grew by £0.5 million, mostly through the trading activity of Farm Africa's social enterprise subsidiary Sidai Africa Limited.

Our project income, which is principally income from our government, institutional and other major donors, rose by £0.6 million in the year to £6.3 million (2012: £5.7 million).

We are delighted that DFID have announced the extension of the PPA funding stream for two years until March 2016. The strategic nature of this funding is allowing us to invest in our activities such as programme design, measuring our impact and organisational systems that will allow us to continue to deliver increases in both our reach and the impact of our work for our beneficiaries.

EXPENDITURE

Our total expenditure has increased by £1.2 million to £12.5 million (2012: £11.3 million). Roughly half of the increase in expenditure relates to spending on charitable activities which increased from £10.0 million in 2012 to £10.7 million in 2013. This includes £1.5 million of PPA funding that we have on-granted to our consortium charity partner, Self Help Africa (2012: £1.5million). The remaining increase relates to expenditure we have made directly, in particular our investment in unrestricted fundraising in the year.



RESERVES

Overall we generated a surplus of £312,000, all of which was restricted.

As at 31 December 2013, £0.5 million (2012: £0.4 million) of our unrestricted funds are designated, of which £0.4 million represents funds received from the PPA that we plan to invest in our programme priorities and organisational enablers during 2013, and £0.1 million relates to unrestricted funds held in Sidai which will be used for the ongoing growth of that programme. The parent charity's remaining unrestricted funds have risen from £0.6 million to £0.7 million in the year.

In summary, we begin 2014 in a good financial position with reserves necessary to deliver our ambitious goals for growth in 2014, and plans in place to increase our income to deliver this growth in 2014 and beyond.

RESERVES POLICY

The board has determined that Farm Africa needs unrestricted reserves for the following purposes:

- to provide working capital for the effective running of the organisation,
- to protect against unrestricted income fluctuations,
- to protect against unforeseen project expenditure due to working in inherently risky situations,
- to manage the seasonality of income within the organisation, and
- to enable Farm Africa to invest in unforeseen funding opportunities should it choose to do so.

The board considers that unrestricted reserves should fall at or around the level specified by the aggregate of the following three measures:

- income risk: an assessment of the percentage risk in each unrestricted income stream (including forecast hub recovery and co-funding) of between 5% and 40% dependent on source,
- unrestricted expenditure risk: three months of unrestricted salaries plus one month of other unrestricted spend, and
- programmatic expenditure: 3% of projected restricted expenditure.

These measures imply an unrestricted reserves target at 31 December 2013 in the region of £1.2 million. This compares to an actual figure of unrestricted funds, including those designated, of £1.2 million. This is a time of significant challenges for Africa's farmers and it is critical that we continue to invest in our key programmatic priorities to grow our support. In the short to medium term, the board is comfortable with holding an ongoing level of reserves below that suggested above in order to support this growth and hence has continued to designate some of the unrestricted funds for spending on key enablers.

GOING CONCERN

We have set out above a review of financial performance and the charity's reserves position. We believe that we have adequate financial reserves to continue to deliver against our plans and adequate resources to continue in operational existence for the foreseeable future. We believe that there are no material uncertainties that call into doubt the charity's ability to continue. The accounts have therefore been prepared on the basis that the charity is a going concern.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

Farm Africa's officers and advisers are as shown on pages 3 to 4 of this report.

Mr Michael Palin CBE kindly agreed to continue as patron of Farm Africa during 2013. Sir Martin Wood OBE FRS DL continued as President.

Farm Africa is governed by a board of trustees based in the UK and authority is delegated by them to the chief executive to manage the organisation. Changes to the board of trustees are shared in the report from the chair on page 5.

Recruitment is undertaken through a range of routes dependent on the identified needs. For example, when seeking a trustee with audit experience, we have targeted advertising through selected accountancy firms. This is then followed by an interview process with a panel of trustees and approval by the board. The trustees are then formally elected by the members at the next annual general meeting. New trustees receive a personalised induction, including briefings from the chair, chief executive and other senior management team members. They are encouraged to visit our project work when the opportunity arises. Trustees also receive ongoing training, either one to one or through briefings at board meetings and as and when specific training needs are identified.

The finance remuneration and audit committee (FRAC) meets regularly under the chairmanship of Richard Lackmann, Farm Africa's Treasurer. FRAC normally comprises at least three trustees, together with external members as required. FRAC agrees the external audit plan, reviews the external auditor's management letter and monitors the implementation of resulting actions. FRAC also undertakes a detailed review of the annual budget, quarterly management accounts, the risk register and the annual review and accounts before their submission to the board. It approves the annual internal audit plan and oversees the implementation of recommendations arising from internal audit reports. It also approves salary increments for the senior management team and the annual cost of living increase for UK staff, and makes a recommendation to the board on the salary of the chief executive.

The programme advisory committee (PAC) met throughout 2013 under the chairmanship of Professor Jonathan Kydd. PAC comprises at least two trustee members and external members from a wide range of disciplines. It has two objectives:

- to ensure, on behalf of the board, that systems are in place to monitor programme quality and strategic fit, and
- to provide management with advice and a sounding-board and on aspects of its programme work.

The nominations committee also continued its work during the year. It is chaired by Richard Macdonald and comprises no fewer than three trustees appointed by the board, with the chief executive as a non-voting member of the committee. The committee takes responsibility for identifying and proposing new board members and for their induction, support and development.

We are supported by Farm Africa U.S.A Inc. which is a US non-profit 501(c)(3) organisation that promotes and improves agriculture, natural resource management and food production in an effort to alleviate hunger and poverty in Africa.

During 2013, Farm Africa had two active subsidiaries:

- Farm Africa Enterprises Limited, which acted as an investment holding company for Sidai Africa Limited, our veterinary franchise operation in Kenya, and
- Farm Africa Trading Limited, which began trading in April 2013, enables us to receive sponsorship income from corporate partners in a tax efficient manner.

GRANT-MAKING POLICY

The maendeleo agricultural enterprise fund (MAEF) is a competitive grant-making fund open to any organisation in Kenya, Tanzania and Uganda. Calls for proposals are issued through advertisements in the press and notices sent to key institutions. Applicants are invited to submit a short concept note, which is screened by Farm Africa for eligibility before being reviewed by an advisory panel. Successful applicants are invited to submit a full proposal for consideration by the panel. Those applicants submitting proposals that are approved for funding receive a field visit to assess the capacity of the lead organisation and verify the need for the grant. Successful applicants receive funding over a period of two to three years. Farm Africa receives a final financial and narrative report when funding is complete.

In certain circumstances, Farm Africa makes grants to partner organisations and individuals in order to build their capacity to plan, manage and report on small development initiatives. The organisation also makes grants to paravets and animal health assistants in Kenya to help them establish their businesses.

Where Farm Africa is acting as lead partner in a consortium, Farm Africa may also grant funds to other consortium members.

LEGAL STRUCTURE

Farm Africa is a registered charity (registration number 326901) and is constituted as a company registered in England and Wales and limited by guarantee (registration number 01926828) approved & adopted on 29 May 1985 and last updated by special resolution on 23 June 2004. Its objects and powers are set out in its Memorandum and Articles of Association. Details of Farm Africa's subsidiary entities are included in note 13 to the accounts.

TAX STATUS

Farm Africa has charitable status and is exempt from corporation tax as all of its income is charitable and is applied for charitable purposes.

AUDITOR APPOINTMENT

A resolution concerning the reappointment of Crowe Clark Whitehill LLP as auditors will be proposed at the Farm Africa annual general meeting of 25 June 2014.

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors for the purposes for company law) are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom accounting standards) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the trustees are aware, there is no relevant audit information of which the charitable company’s auditor is unaware. The trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company’s auditor is aware of that information.

Approved by the board of trustees of Food & Agricultural Research Management Limited on 28 May 2014 including, in their capacity as company directors, the strategic report contained therein, and signed on its behalf by

Richard Macdonald CBE, chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOD & AGRICULTURAL RESEARCH MANAGEMENT LIMITED

We have audited the financial statements of Food and Agricultural Research Management Limited for the year ended 31 December 2013 which comprise the consolidated statement of financial activities, the group and company balance sheets, the consolidated cash flow statement and the related notes numbered 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom generally accepted accounting practice).

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the charitable company 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and international standards on auditing (UK and Ireland). Those standards require us to comply with the auditing practices board's ethical standards for auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the strategic report and the trustees' annual report and report from the chair and report from the chief executive to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPNION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2013 and of the group's 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.

OPINION ON OTHER MATTER DESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the trustees annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company 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.

N. Hashemi

Naziar Hashemi
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London
2/6/14

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating income & expenditure account) for the year ended 31 December 2013

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2013 £'000	Total Funds 2012 £'000
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income:					
Donations and legacies	2a	**2,052**	**-**	**2,052**	1,576
Grants	2a	**3,143**	**-**	**3,143**	3,129
Gifts in kind	2a	**94**	**-**	**94**	95
Activities for generating funds	2b	**232**	**-**	**232**	157
Investment income	2c	**-**	**-**	**-**	4
Total incoming resources from generated funds		**5,521**	**-**	**5,521**	4,961
Incoming resources from charitable activities					
General charitable activities	3	**6**	**6,262**	**6,268**	5,697
Social enterprise trading income		**988**	**-**	**988**	379
Other incoming resources	4	**45**	**-**	**45**	18
Total incoming resources		**6,560**	**6,262**	**12,822**	11,055
RESOURCES EXPENDED					
Costs of generating funds					
Voluntary income:					
Donations and legacies	6a	**(1,397)**	**-**	**(1,397)**	(1,003)
Grants	6a	**(169)**	**-**	**(169)**	(116)
Activities for generating funds	6b	**(115)**	**-**	**(115)**	(92)
Total costs of generating funds		**(1,681)**	**-**	**(1,681)**	(1,211)
Costs of charitable activities					
Building income and food security					
Social enterprises	7	**(1,099)**	**(683)**	**(1,782)**	(1,177)
Programme activities	7	**(1,919)**	**(3,602)**	**(5,521)**	(5,211)
		(3,018)	**(4,285)**	**(7,303)**	(6,388)
Natural resource management	7	**(1,695)**	**(1,760)**	**(3,455)**	(3,635)
Total costs of charitable activity		**(4,713)**	**(6,045)**	**(10,758)**	(10,023)
Governance costs	9	**(71)**	**-**	**(71)**	(105)
Total resources expended		**(6,465)**	**(6,045)**	**(12,510)**	(11,339)
Net income/ (expenditure) for the year	5	**95**	**217**	**312**	(284)
Transfers between funds	16	**(101)**	**101**	**-**	-
Net movement on funds		**(6)**	**318**	**312**	(284)
Total funds brought forward		**1,176**	**2,549**	**3,725**	4,009
Total funds carried forward	16	**1,170**	**2,867**	**4,037**	3,725

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 32 to 45 form an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2013

	Notes	2013 Group £'000	2013 Company £'000	2012 Group £'000	2012 Company £'000
FIXED ASSETS					
Tangible assets	12	**337**	**101**	175	20
Investments	13	**-**	**321**	-	10
Total fixed assets		**337**	**422**	175	30
CURRENT ASSETS					
Stock: goods for resale		**508**	**-**	159	-
Debtors	14	**992**	**940**	987	849
Cash at bank and in hand		**2,194**	**1,944**	3,523	3,306
Short-term deposits		**896**	**896**	2	2
		4,590	**3,780**	4,671	4,157
Creditors					
Amounts falling due within one year	15	**(890)**	**(715)**	(1,121)	(1,054)
Net current assets		**3,700**	**3,065**	3,550	3,103
NET ASSETS		**4,037**	**3,487**	3,725	3,133
FUNDS					
Restricted funds	16	**2,867**	**2,395**	2,549	2,129
Unrestricted funds	16				
- General funds		**714**	**714**	626	626
- Designated funds (enabler spend)		**378**	**378**	378	378
- Designated funds (Sidai)		**78**	**-**	172	-
TOTAL FUNDS	16	**4,037**	**3,487**	3,725	3,133

Approved by the Board and authorised for issue on 27 May 2014 and signed on their behalf by:

Richard Macdonald
Chairman

Richard Lackmann
Treasurer

Registered Company No: 01926828

The notes on pages 31 to 44 form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Net cash (outflow)/ inflow from operating activities	A	**(209)**	44
Returns on investments and servicing of finance			
Deposit interest received		**-**	4
Capital expenditure and financial investment			
Disposal of tangible fixed assets		**16**	-
Purchase of tangible fixed assets		**(242)**	(83)
Decrease in cash		**(435)**	(35)
Net cash resources at 1 January		**3,525**	3,560
Net cash resources at 31 December	B	**3,090**	3,525

NOTES TO THE CASHFLOW STATEMENT

A. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	2013 £'000	2012 £'000
Net incoming / (outgoing) resources	**312**	(284)
Depreciation	**78**	57
(Profit) / loss on the disposal of fixed assets	**(14)**	8
Increase in debtors	**(5)**	(136)
(Decrease) / increase in creditors	**(231)**	530
(Increase) in stocks	**(349)**	(127)
Investment income	**-**	(4)
Net cash outflow from operating activities	**(209)**	44

B. ANALYSIS OF CHANGES IN CASH DURING THE YEAR

	2013 £'000	2012 £'000	Change in year £'000
Short term deposits held in UK	**896**	2	894
Cash at bank and in hand in the UK and overseas	**2,194**	3,523	(1,329)
	3,090	3,525	(435)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention and in accordance with the statement of recommended practice, accounting and reporting by charities (SORP 2005) applicable accounting standards and the companies act 2006. The financial statements have been prepared on a going concern basis as discussed in the trustee's report on page 23.

The results and balance sheet of the charitable company's subsidiaries have been consolidated using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition. No statement of financial activities is presented for the charitable company alone as the results of the subsidiary companies are separately identified within the group accounts and the charitable company is exempt from presenting such a statement under s408 companies act 2006. The net income of the charitable company was £354,000 (2012: net deficit of £410,000).

b) Fund accounting

Funds held by the charitable company are:

- restricted funds – these are funds which are subject to specific conditions imposed by the donors or when funds are raised for particular restricted purposes,
- unrestricted funds: general – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees, and
- unrestricted funds: designated – these are funds which the trustees have designated for a particular use.

c) Incoming resources

Voluntary income, including donations, gifts and legacies, gifts in kind and grants are recognised where there is entitlement. Tax recovered from voluntary income received under gift aid is recognised when the related income is receivable and is allocated to the income category to which the income relates.

Gifts in kind for use by the charity and donated services are included in the accounts at their approximate market value at the date of receipt.

When donors specify that donations and grants given to the charitable company must be used in future accounting periods, the income is deferred until those periods.

Income from activities from generating funds (merchandise income and income derived from events and community fundraising) is recognised as it is earned, that is as the related goods or services are provided.

Investment and rental income are recognised on a receivable basis.

d) Resources expended

Expenditure is recognised when a liability is incurred. Irrecoverable VAT is included within the expense item to which it relates.

Charitable expenditure is reported as a functional analysis of the work undertaken by Farm Africa, against our two strategic outcomes of building food an income security and natural resource management. Under these headings are included grants payable and costs of activities performed directly by the charitable company, together with associated support costs.

Grants payable to other institutions for development projects are included in the statement of financial activities when funds are transferred to these institutions on the basis that future funds are only payable upon receipt of satisfactory expenditure reports for all amounts previously advanced.

The cost of generating funds comprises salaries, direct expenditure and overhead costs of UK based staff who promote fundraising from all sources including institutional donors, trusts, companies and individuals.

Governance costs include those incurred in the governance of the charitable company's assets, and comprise the costs of constitutional and statutory requirements and restructuring costs.

Support costs include central functions, and have been allocated to cost categories on a basis consistent with the level of activity.

e) Pension costs

The charitable company operates a defined contribution group personal pension plan for the benefit of its employees, and also makes payments to other defined contribution schemes for employees who are not members of the group scheme. Pension costs are recognised in the month in which the related payroll payments are made.

f) Foreign currencies

Transactions in foreign currencies are recognised at the rate of exchange at the date of the transaction or at an average exchange rate for the month. All non-sterling current assets and liabilities are translated into sterling at the exchange rate on the balance sheet date. All exchange differences are recognised through the statement of financial activities.

g) Operating leases

Rental payments under operating leases are charged as expenditure incurred evenly over the term of the lease. The benefit of any reverse premium received is also spread evenly over the term of the lease.

h) Fixed assets

Fixed assets used within specific projects and purchased from funds donated for those projects are not capitalised but are written off on acquisition as direct project expenditure. The initial cost of fixed assets purchased within the last four years and presently employed in current projects is referred to in note 12.

All other assets costing more than £500 are included in the financial statements as fixed assets at cost less depreciation. Depreciation has been calculated to write off the cost of tangible fixed assets by equal instalments over their expected useful lives as follows:

Leasehold improvements	over the life of the lease
Vehicles	25% per annum
Computer equipment	33% per annum
Machinery & machinery	25% per annum

Where the recoverable amount of a tangible asset is found to be below its net book value, the asset is written down to its recoverable amount and the loss on impairment is charged to the relevant expenditure category in the statement of financial assets. Where an asset is not primarily used to generate income its impairment is assessed by reference to its service potential on its initial acquisition. The charitable company currently has no tangible fixed assets to which impairment provisions apply.

i) Stock: goods for resale

Stock comprises goods held for resale and are valued at the lower of cost and net resale value.

2. INCOMING RESOURCES FROM GENERATING FUNDS

a) Voluntary income

	Unrestricted 2013 £'000	**Restricted 2013 £'000**	**Total 2013 £'000**	Total 2012 £'000
Donations and legacies				
Committed giving	**516**	**-**	**516**	503
Appeals and donations	**1,348**	**-**	**1,348**	842
Legacies (note 22)	**143**	**-**	**143**	183
Corporate donations	**45**	**-**	**45**	28
	2,052	**-**	**2,052**	1,556
Grants				
Institutional donors: Department for International Development Programme Partnership Arrangement	**3,078**	**-**	**3,078**	3,078
Trusts and foundations	**65**	**-**	**65**	51
	3,143	**-**	**3,143**	3,129
Gifts in kind				
Donated services	**94**	**-**	**94**	95
	94	**-**	**94**	95

b) Activities for generating funds

	Total 2013 £'000	Total 2012 £'000
Community fundraising	**14**	64
Rent receivable	**20**	84
Sponsorship income	**185**	-
Merchandise sales	**13**	9
	232	157

c) Investment income

	Total 2013 £'000	Total 2012 £'000
Deposit interest	**-**	4

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

a) General charitable activities: grants and similar income

	Unrestricted 2013 £'000	Restricted 2013 £'000	Total 2013 £'000	Total 2012 £'000
Grants from government, institutional & other similar donors				
Africa Enterprise Challenge Fund in partnership with SABMiller	**-**	**192**	**192**	151
Adeso	**-**	**315**	**315**	-
AGRA	**-**	**165**	**165**	-
Bill & Melinda Gates Foundation	**-**	**892**	**892**	920
Big Lottery Fund ICA/2/010414185	**-**	**-**	**-**	9
Big Lottery Fund ICB/1/010283594	**-**	**-**	**-**	(8)
Big Lottery Fund ICB/2/010438249	**-**	**180**	**180**	-
British Society of Plant Breeders	**-**	**-**	**-**	49
CARE Ethiopia	**-**	**401**	**401**	324
Cordaid	**-**	**132**	**132**	131
Department for International Development	**-**	**-**	**-**	94
European Commission for Humanitarian Office	**-**	**-**	**-**	43
European Union	**-**	**967**	**967**	1,198
Embassy of Ireland to Ethiopia	**-**	**649**	**649**	512
GALVmed	**-**	**-**	**-**	104
Georg und Emily von Opel Foundation	**-**	**233**	**233**	-
Jersey Overseas Aid Commission	**-**	**-**	**-**	155
Kilimo Trust	**-**	**-**	**-**	9
Lundin for Africa	**-**	**253**	**253**	-
Medicor Foundation	**-**	**-**	**-**	82
Melbreak Trust	**-**	**-**	**-**	80
Norwegian Embassy & Irish Aid	**-**	**-**	**-**	420
The Rockefeller Foundation	**-**	**129**	**129**	312
Royal Norwegian Embassy	**-**	**517**	**517**	408
Small Foundation	**-**	**228**	**228**	168
The Big Give	**-**	**-**	**-**	13
The Innocent Foundation	**-**	**-**	**-**	21
The National Development Fund of Norway	**-**	**224**	**224**	230
Other international agencies and other donors	**6**	**785**	**791**	272
	6	**6,262**	**6,268**	5,697

4. OTHER INCOMING RESOURCES

	Total 2013 £'000	Total 2012 £'000
Profit on sale of fixed assets and other miscellaneous income	**45**	18

5. NET INCOMING/ (EXPENDITURE) FOR THE YEAR

This is stated after charging	Total 2013 £'000	Total 2012 £'000
Depreciation	**78**	57
Payments under operating leases	**70**	128
Auditor's remuneration: audit fees	**32**	34

6. COSTS OF GENERATING VOLUNTARY INCOME

a) Voluntary income

	Total 2013 £'000	Total 2012 £'000
Donations and legacies		
Fundraising costs	**1,228**	863
Support costs allocated (note 10)	**169**	140
	1,397	1,003
Grants		
Fundraising costs	**149**	108
Support costs allocated (note 10)	**20**	8
	169	116

b) Activities for generating funds

	Total 2013 £'000	Total 2012 £'000
Community fundraising costs	**101**	89
Support costs allocated (note 10)	**14**	3
	115	92

7. COSTS OF CHARITABLE ACTIVITIES

	Operational programmes £'000	**Grants payable £'000**	**Support costs* £'000 (note 10)**	**Total 2013 £'000**	Total 2012 £'000
Building income and food security					
Social enterprises	**1,782**	**-**	**-**	**1,782**	1177
Programme activities	**2,701**	**2,153**	**667**	**5,521**	5211
	4,483	**2,153**	**667**	**7,303**	6,388
Natural resource management	**2,287**	**750**	**418**	**3,455**	3,635
	6,770	**2,903**	**1,085**	**10,758**	10,023

* It is not appropriate to split support costs between activities undertaken directly and grant making activities due to the method of operation of the programme support team.

8. GRANTS PAYABLE

	2013 £000	2012 £000
UK		
Self Help Africa	**1,904**	1,500
Africa		
Ethiopia – SOS Sahel	**491**	504
Maendeleo Agricultural Enterprise Fund	**239**	257
South Sudan - SNV	**-**	150

The above represents the total aggregate payments made to each institution during the year for significant grants payable in the year.

The payments under our Mandeleo Agricultural Enteprise Fund were made to the following organisations across Kenya, Uganda & Tanzania: Kabarole District Farmers Association, Natural Crops Resources and Research Institute, Private Sector Development and Consultation Centre, Volunteer Efforts for Development Concerns, Ten Senses Africa Ltd, Ideal Matunda Ltd, Mwailu Enterprises Ltd, Kitui Development Centre, Kenya agricultural Research Institute, DORT Africa, HOMEVEG Tanzania Ltd and Socio-economic research and training association.

9. GOVERNANCE COSTS

	Total 2013 £'000	Total 2012 £'000
Auditor's remuneration		
Statutory audit	**29**	29
Overseas audit	**3**	14
Internal audit	**9**	3
Board costs		
UK board	**20**	14
AGM costs	**1**	-
Strategic planning costs	**-**	33
Support costs allocated (note 10)	**9**	14
	71	105

Two trustees were reimbursed £8,000 (2012: £3,000) in travel expenses incurred on behalf of the organisation and seven trustees' travel costs were paid directly at a cost of £6,500 (2012: £9,000). The cost incurred by the charity for the trustee indemnity insurance was £1,000 in 2013 (2012: £1,000).

10. ANALYSIS OF SUPPORT COSTS

	Mgt Costs £'000	Office Costs £'000	Finance & IT £'000	HR Costs £'000	Total 2013 £'000	Total 2012 £'000
Basis of apportionment: activity						
Charitable activities						
Building income and food security						
Social enterprise	**-**	**-**	**-**	**-**	**-**	73
Programme activities	**111**	**228**	**208**	**120**	**667**	606
Natural resource management	**70**	**143**	**130**	**75**	**418**	438
	181	**371**	**338**	**195**	**1,085**	1,117
Income generation						
Voluntary income:						
Donations & legacies	**28**	**57**	**53**	**31**	**169**	140
Grants	**3**	**7**	**6**	**4**	**20**	8
	31	**64**	**59**	**35**	**189**	148
Community fundraising & merchandise	**2**	**5**	**4**	**3**	**14**	3
	2	**5**	**4**	**3**	**14**	3
Governance costs	**1**	**3**	**3**	**2**	**9**	14
	215	**443**	**404**	**235**	**1,297**	1,282

11. EMPLOYEES

	2013	2012
	£'000	£'000
Staff costs		
Wages and salaries (including life insurance)		
Overseas contracted staff	**2,278**	2,148
UK contracted staff	**1,288**	1,171
	3,566	3,319
Social security costs	**132**	120
Pension costs	**70**	74
	3,768	3,513

	2013	2012
	No.	No.
Employees with remuneration in the range of £60,000 to £70,000	**3**	3
Employees with remuneration in the range of £70,000 to £80,000	**4**	3

Farm Africa paid contributions of £35,000 (2012: £26,000) into a defined contribution pension scheme for the 7 (2012: 6) higher paid employees in the year.

The average number of employees of the charitable company during the year analysed by function were:

	2013	2012
	No.	No.
Overseas contracted staff	**203**	230
UK contracted staff:		
Fundraising and communications	**16**	16
Programmes support	**18**	17
Management and administration of charity	**2**	2
	239	265

Neither the trustees nor any persons connected with them have received any remuneration during the current or preceding year.

12. TANGIBLE FIXED ASSETS

Group

	Leasehold Improvements £'000	Vehicles £'000	Machinery and Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2013	114	144	61	133	452
Additions	76	55	91	20	242
Disposals	(108)	-	(2)	(54)	(164)
At 31 December 2013	**82**	**199**	**150**	**99**	**530**
Depreciation					
At 1 January 2013	(113)	(42)	(22)	(100)	(277)
Charge for the year	(15)	(30)	(14)	(19)	(78)
Disposals	108	-	2	52	162
At 31 December 2013	**(20)**	**(72)**	**(34)**	**(67)**	**(193)**
Net book value					
At 31 December 2013	**62**	**127**	**116**	**32**	**337**
At 31 December 2012	1	102	39	33	175

Company

	Leasehold Improvements £'000	Vehicles £'000	Machinery and Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2013	114	-	15	109	238
Additions	76	-	26	15	117
Disposals	(108)	-	(2)	(53)	(163)
At 31 December 2013	**82**	**-**	**39**	**71**	**192**
Depreciation					
At 1 January 2012	(113)	-	(13)	(92)	(218)
Charge for the year	(15)	-	(5)	(15)	(35)
Disposals	108	-	2	52	162
At 31 December 2013	**(20)**	**-**	**(16)**	**(55)**	**(91)**
Net book value					
At 31 December 2013	**62**	**-**	**23**	**16**	**101**
At 31 December 2013	1	-	2	17	20

The tangible fixed assets purchased within the last four years, presently employed in current projects but not capitalised in these financial statements, have a total initial cost of approximately £2,555,000 (2012: £2,540,000). The accounting policy relating to fixed assets is referred to in note 1(h).

13. INVESTMENTS

	Investment in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2013	10
Additions	311
At 31 December 2013	**321**

Company	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Farm Africa Trading Limited	UK	100% owned by Farm Africa	Trading activities
Farm Africa Enterprises Limited	UK	100% owned by Farm Africa	Holding company
Farm Africa Intellectual Property Limited	UK	100% owned by Farm Africa	IP and registered trade marks
Sidai Africa Limited	Kenya	139,599 shares owned by Farm Africa Enterprises Ltd & 1 share owned by Farm Africa	Provision of veterinary services

Neither Farm Africa Intellectual Property Limited nor Farm Africa Enterprises traded during the year. Farm Africa Trading Limited began trading on 1 April 2013.

The results for the year of the active subsidiaries are shown below.

	Sidai Africa Limited		Farm Africa Trading Limited	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Total incoming resources	**1,621**	1,056	**185**	-
Total resources expended	**(1,667)**	(836)	**(185)**	-
Net incoming /(outgoing) resources	**(46)**	220	**-**	-
Revaluation on translation	**157**	50		
Retained surplus for the year	**111**	270	**-**	-
Total assets	**1,078**	833	**-**	-
Total liabilities	**(210)**	(81)	**-**	-
Total funds	**868**	752	**-**	-

14. DEBTORS

	2013 Group £'000	**2013 Company £'000**	2012 Group £'000	2012 Company £'000
Amounts owed by subsidiary undertakings	**-**	**82**	-	-
Trade debtors	**168**	**-**	74	-
Other debtors	**238**	**228**	311	247
Prepayments	**99**	**74**	121	121
Accrued income – other	**21**	**14**	59	59
Accrued income – project grants	**466**	**542**	422	422
	992	**940**	987	849

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 Group £'000	**2013 Company £'000**	2012 Group £'000	2012 Company £'000
Amounts owed to subsidiary undertakings	**-**	**8**	-	28
Trade creditors	**204**	**96**	155	142
Deferred income	**2**	**2**	81	81
Other creditors and accruals	**644**	**569**	844	762
Other tax and social security costs	**40**	**40**	41	41
	890	**715**	1,121	1,054

16. MOVEMENTS IN FUNDS

	Balance at 1 January 2013 £'000	Incoming Resources £'000	Outgoing resources £'000	Transfers £'000	**Balance at 31 December 2013 £'000**
Ethiopian programmes	1,141	2,644	(3,104)	**-**	**681**
Kenyan programmes	578	1,461	(1,191)	**-**	**848**
Tanzanian programmes	342	503	(704)	**-**	**141**
South Sudan programmes	(105)	436	(280)	**-**	**51**
Sidai programme	589	1,144	(683)	**-**	**1,050**
Forestry programme	-	-	(18)	101	**83**
Other miscellaneous restricted funds	4	74	(65)	**-**	**13**
Movement on restricted reserves	2,549	6,262	(6,045)	101	**2,867**

	Balance at 1 January 2013 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	**Balance at 31 December 2013 £'000**
Designated funds – enabler spend	378	3,078	(3,078)	-	**378**
Designated funds – Sidai Africa	172	988	(1,082)	-	**78**
General funds	626	2,494	(2,305)	(101)	**714**
Movement on unrestricted reserves	1,176	6,560	(6,465)	(101)	**1,170**
Total movement on reserves	3,725	12,822	(12,510)	**-**	**4,037**

The movement on restricted reserves represents the net of monies received and expended on projects which are funded by grants from specific donors. The overall increase in the year is due to funds being received in advance of being expended. The movement on restricted funds above has been aggregated by country. A more detailed analysis by individual fund is available on request.

As at 31 December 2013, we have chosen to designated £378,000 (2012: £378,000) of our unrestricted funds representing amounts received from the PPA that we plan to invest in our programme priorities in 2014. In addition, we have designated unrestricted funds in relation to our social enterprise, Sidai Africa Limited for ongoing investment in that organisation.

The transfer to restricted funds relates to corporate sponsorship that Farm Africa Trading has donated to the parent charity on condition that the monies are spent on our forestry work.

17. NET ASSETS ANALYSIS (GROUP)

Fund balances at 31 December 2013 are represented by:	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Tangible fixed assets	101	236	337
Current assets	1,768	2,822	4,590
Current liabilities	(699)	(191)	(890)
	1,170	**2,867**	**4,037**

18. CONSTITUTION

The charitable company, which is limited by guarantee, does not have a share capital and is constituted as a charity. Every member undertakes to contribute an amount not exceeding £2 in the event of winding-up. The income and property of the charitable company cannot be transferred to the members by way of dividend.

19. COMMITMENTS: OPERATING LEASES

At 31 December 2013, Farm Africa has the following annual commitments under non-cancellable operating leases:

	Equipment	**Property**	**2013 Total**	2012 Total
	£'000	**£'000**	**£'000**	£'000
Operating leases which expire:				
In less than 1 year	**1**	**-**	**1**	26
Between one and two years	**4**	**-**	**4**	28
Between two and five years	**6**	**28**	**34**	38
	11	**28**	**39**	92

20. RELATED PARTY TRANSACTIONS

There were no related party transactions requiring disclosure (2012: none).

21. PARENT COMPANY RESULT

The parent company generated a surplus of £109,000 (2012: a deficit of £178,000).

22. LEGACIES

There was £nil (2012: £18,000) worth of legacies notified to the charity that did not meet the recognition criteria and hence have not been accounted for within these financial statements. All other legacies have been recognised here.

We were sad to hear of the deaths of the following people during the year but we are very grateful to have been remembered in their wills:

Veronica Margaret Assafuah
Joan Constance Churchill Bernard
Revd. F. A. Carroll
Jeanette Hester Davies
Michael Ernest Daw
Frank Edwards
Brian Emmett
Richard Empson
Patricia Joy Fabian
Mary Isabel Greenway
Bartholomew Francis Knight

Agnes MacKenzie
Stanley Moss
Francis Pearson
Cynthia Pickering
Diane Margaret Sellers
Ellen Mabel Spalton
Sybil Stevenson
Dorothy Barbara Weston
Doris Mary Wilson
Lily Walder