END HUNGER ›››› GROW FARMING

FARM AFRICA

ANNUAL REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

FOOD AND AGRICULTURAL RESEARCH

MANAGEMENT LIMITED

REGISTERED CHARITY NO: 326901

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REPORT FROM THE CHAIR

I am very pleased to present Farm Africa's Annual Report and Consolidated Financial Statements for the year ended 31 December 2011.

One of the first tasks for our new Chief Executive, Nigel Harris, who took up his post at the beginning of March 2011, was to lead the formulation of Farm Africa's strategy and business plan for the four years to 2015. Following wide consultation with a range of stakeholders, both inside and outside Farm Africa, the Board was very pleased to approve the 2012-15 strategic plan, which is available to all on our website. It is an excellent plan, based on rigorous and comprehensive analysis of Farm Africa's contribution as a specialist development organisation dedicated to bringing prosperity to the parts of rural Africa on which we focus. It is an ambitious plan, in terms of the goals we have set ourselves to achieve in the next four years, but we strongly believe it to be an achievable plan.

Meanwhile, our operations in the field continued apace as is evident from the Chief Executive's Report. To highlight one example, 2011 saw the start of operations within our new livestock services franchising company Sidai Africa Limited (Sidai). By the end of the year, the first batch of franchisees had been recruited, trained, stocked and branded and three company-owned livestock service centres established. As a model of how to deliver high quality services to under-supported livestock keepers on a commercial basis, Sidai is receiving intense interest from a range of development organisations, and, in addition, Sidai's Executive Chair, Dr. Christie Peacock has been honoured for her innovative work by being appointed to a prestigious Ashoka Fellowship

Connecting farmers to markets is an increasingly important theme in Farm Africa's work and an essential complement to our traditional focus on productivity improvement on the farm. As always, the challenge is to ensure that our interventions lead to improvements for our farmers that become both self-sustaining and self-expanding in terms of the numbers of farmers benefiting, so that Farm Africa can in due course exit from projects and focus on launching similar initiatives elsewhere.

This objective of building projects and programmes that, where appropriate, are intended to become commercially viable in themselves in the longer term – and I would emphasise the words 'where appropriate' because much of what we do will always require other approaches to providing cost-effective help to farmers – will not be attainable unless we have relevant expertise and experience to match our ambitions. In this respect, we are very pleased that John Young, who has just retired as Co-Chair of Hogan Lovells, has joined the board of Farm Africa Enterprises Limited (Enterprises) as an external, non-executive director and that Geoff Tyler, former head of the Commonwealth Development Corporation (CDC)'s agribusiness department has joined Farm Africa's Programme Advisory Committee (PAC) as an external member.

Everything Farm Africa does should be guided by two principles: first, to do only what is in the best interests of our intended and existing beneficiaries; second, to choose always the most effective way of using the scarce resources that have been entrusted to us. Whatever organisational vehicles and business models we use to accomplish our mission, we will need to ensure that they deliver for our farmers, particularly the poorer ones.

I am pleased to report that we have strengthened the board of Farm Africa (and the PAC) with the appointment of Professor Jonathan Kydd, Dean of University of London International Programmes and Chief Executive, University of London International Academy. Professor Kydd is an internationally-recognised expert on agricultural, rural and food policy issues in poorer countries, principally African, and was until recently a long-serving director of CDC Group PLC, among other high level appointments. He chaired the Independent Committee of the CDC Board that was responsible for advising the Secretary of State for International Development on the successful restructuring of CDC.

Farm Africa ended 2011 in solid financial shape. Our resources were boosted during the year by funding for strategic purposes from the Programme Partnership Arrangement (PPA) awarded to us, in consortium with Self Help Africa, by the Department for International Development (DFID). We also achieved our general fundraising targets, with an outstanding contribution coming from the Kilimanjaro Climb led by trustee Richard Macdonald who managed to talk several senior figures in the UK food industry into following him up the mountain, inspired also by our Patron, Michael Palin, who spoke at the launch dinner for the climb. We are also grateful to our Ambassador, Kate Adie, for her hard work on our behalf, including participation in successful fundraising events during the year. Nonetheless, the ambition of our strategic plan necessitates considerable growth in our resources and we remain focused on the need to expand both our restricted and unrestricted fundraising going forward into 2012 and beyond.

Farm Africa is deeply grateful to all its donors and to all its supporters who contributed in various ways in 2011. I should also like to thank Farm Africa's highly committed staff, trustees, directors and advisers for their hard work in ensuring 2011 was a year of considerable achievement.

Dr Martin Evans, Chairman
24 May 2012

REPORT FROM THE CHIEF EXECUTIVE

At the end of my first full year in post, I am even more excited about the ability of Farm Africa to drive lasting change for rural communities in East Africa. As we know, the global food system is facing an unprecedented challenge to meet anticipated population growth, with climate change intensifying the issues faced, as demonstrated by last year's drought in the Horn of Africa. Recent surges in global food prices have seen food import bills soar for Africa in particular. Yet Africa and its smallholder farmers have the potential to address food insecurity. Yield gaps can be reduced as agricultural policies, practices and access to technologies are improved. In my first year here I have seen many examples among our own programmes of outstanding growth in farmer productivity, of better access to markets and of excellent resource management.

Governments, funders and the private sector are all increasingly recognising agriculture's importance, creating a growing demand for the work that Farm Africa is uniquely placed to provide. We act as the bridge between the often remote rural communities we serve and the bigger actors, namely private sector, government and civil society. Our work can link smallholder farmers to the biggest multinational companies, such as our cassava project in South Sudan, one of the world's most challenging environments, where SABMiller is looking to purchase cassava from local famers, making them part of a genuinely commercial value chain. Significant gains in productivity can lead to a real increase in household income, such as in our sesame programme in northern Tanzania, meaning that children can attend school, water tanks can be purchased, houses built and farms invested in. We were delighted that the EU ambassador to Tanzania, Tim Clark, was able to visit the project late last year to see for himself the difference our work is making.

Our recent strategy review (detailed later in the report) has highlighted the strength of our work. We have a strong reputation as an on-the-ground specialist practitioner, known for the quality of our delivery in our core areas, namely crops, forestry and livestock. We are increasingly entrepreneurial not only in building links with the private sector but in exploring cutting-edge solutions to the age-old problem of sustainability. Our new social enterprise, Sidai, which in 2011 went from a great idea to a live animal health franchise business, is an outstanding example of this kind of fresh thinking, and I would like to thank the Bill & Melinda Gates Foundation for their willingness to fund such a vision.

Our new strategy will take us even further forward in the next four years. We are aiming to roughly double the number of people we serve directly (from 0.8 million to 1.5 million) and be much more focused on our core success factors – farmer income and sustainable natural resource management. As our mission says, we unleash African farmers' abilities. As I have been privileged to see our work on the ground in my first year, I have been constantly struck by the commitment, passion and entrepreneurial flair of the farmers we work with, from fish farmers in Western Kenya to forest communities in the mountains of South-East Ethiopia. At the heart of all our work is our core belief that smallholder farmers can and will play a key role in achieving rural prosperity in Africa.

We are also committed to scaling our work. We want to see sustainable change at scale across the region, influencing and advising others to drive change at the macro level. 2011 saw a great example of this, as we continued to work with the Ethiopian government on joint forestry management models. Beginning at small scale, this has now extended across seven forest areas in four regions, encompassing one of the world's largest REDD+ projects in the Bale mountains. We accompanied a delegation of the Oromia regional government climate change talks in Durban and participated in the launching of Ethiopia's Climate Resilient Green Economy and, going forward, will serve as a member of the Ministry of Agriculture's Climate Change Taskforce.

Innovation at the micro level is also a core part of our work. We launched our new MAEF, (building on the success of an earlier model which showed returns up to 24x), and were thrilled to receive over three hundred proposals under the first call "women farmers in the agricultural value chain." Six outstanding organisations across Tanzania, Uganda and Kenya will receive funding under this scheme, which is receiving core funding from the Small Foundation.

2012 will see us open a new office in Dar es Salaam as we look to expand our work considerably in Uganda and Tanzania in particular. We are also investing in measuring and evidencing our impact, as we believe that by demonstrating that our interventions can lift farmers out of poverty permanently, we can ensure that Africa's farmers can build better lives. This strategic development has been made possible by the PPA we receive from DFID, which has allowed us and our consortium partner Self Help Africa to invest in our work, test new approaches (such as a groundbreaking pilot on participatory rangeland management in Ethiopia subsequently funded by Cordaid) and engage more creatively in national and international policy processes.

Yet we continue to need significant funding in the years ahead. We invite donors, whether governments, foundations, private individuals or communities such as churches and schools to join us in our ambition to double in scale, and to create real impact in terms of income growth and resource management. The opportunities for Farm Africa to work with farmers in changing lives permanently have never been greater; the need for such work to end hunger, to bring about food security for a new generation in Africa and to lift rural communities out of poverty is immense.

Finally, I should take this opportunity to thank all of our partners and supporters. Farm Africa and the communities we work with are dependent on your commitment, dedication and generosity. Whether it's the food industry raising £250,000 for us through a magnificent climb up Kilimanjaro, or Friends of Farm supporting us yearly with wonderful local fundraising initiatives, or private individuals choosing to support us through regular donations, we thank you all for all you do for rural communities in East Africa. And at the same time I must personally thank my amazing staff and trustees who show such commitment – to our small London team and most importantly to our two hundred plus African staff who work alongside the communities often in remote and difficult circumstances.

The next four years will be the most exciting yet for Farm Africa. As the chairwoman of a farmer's group I recently visited in Tanzania said, "because of Farm Africa's work, we see a bright future ahead." Please join us in making that bright future a reality for more of Africa's rural poor, helping Africa's farmers to feed Africa's people.

Nigel Harris, Chief Executive

24 May 2012

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 a directors' report) together with the financial statements for the year ended 31 December 2011.

LEGAL OBJECTS, STRATEGIC VISION, OBJECTIVES AND METHOD OF WORKING

Farm Africa aims to end hunger and bring prosperity to rural Africa. We work with different types of farmers (pastoralists, agro-pastoralists, smallholders and forest dwellers) in five countries 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 roll-out of successful solutions to achieve long-term improvements in both food security and farmer incomes. This work is enshrined in our charitable objects, which are set out in our Memorandum and Articles of Association.

Our main charitable objects are as follows:

- to relieve the poverty of farmers, agricultural workers and herders by 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 and 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 industries allied thereto.

We implement these objects through pursuing our organisational vision and mission, set out below.

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.

For over 25 years, we have been working in eastern Africa 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 200+ east African staff 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 which produce long-term sustainable solutions grounded in a robust evidence base. Combined with our innovative thinking, this approach has enabled us to grow our impact – helping Africa's farmers feed Africa's people.

OUR VALUES

Our values are an expression of what we believe in. Historically, although there has always been a strong sense of what this is, it has not been documented. As part of the strategic review we felt it was important to do this both to ensure consistency within the organisation and to share with our supporters more widely. Following a series of workshops across the organisation, which demonstrated a consistent view, we distilled the following statement of values.

We believe smallholder farmers can and will play a key role in achieving rural prosperity in Africa.

We deliver on our belief by:

- **Being expert in our field,** delivering insightful and impactful evidence-based solutions
- **Pushing boundaries,** being creative with new and old 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, private sector, civil sector or government
- **Sharing knowledge with others,** reaching more farmers than we could alone, ensuring effective technologies are widely accessed.

EXTERNAL ENVIRONMENT

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

East Africa Region

UN agency OCHA declared a serious drought in East Africa and launched an international appeal for funds. The severe food shortages were a result of drought, failed harvests and rising food prices. Farm Africa argued that short-term emergency relief work has to be backed up with longer-term strategies to build resilience in these regions to cope when shocks such as drought and failed harvests occur. By the end of the year OCHA reported a gradual improvement in food security for severely drought-hit pastoral households in the north and northeast rangelands of Kenya, one of the areas in which we work.

Kenya

Following the abduction of two foreign nationals the Kenyan government sent troops to Somalia to pursue the militants there. The military operations in Somalia led to heightened insecurity in northern Kenya, southern Somalia and areas along the Kenya-Somalia border. In late November, two serious security incidents left ten people including two police officers seriously injured and at least five people including a Kenyan soldier dead in attacks carried out by elements of Al Shabab. Kenya's capital Nairobi has also been rocked by a bomb blast that left at least one dead and several people injured. Following these attacks Kenya sought international support for its military activities in Somalia.

South Sudan

South Sudan officially declared its independence in July 2011 and became the world's newest country. Though the referendum on independence and the subsequent breaking away has been peaceful, nearly twenty percent of the border between these two countries is yet to be agreed. This resulted in conflict in late 2011 between supporters of the Khartoum government and South Sudanese in some of the border states causing instability and displacement of people.

South Sudan's independence has also led to a shift in donor focus with increasing interest in the funding of development projects with a focus on agriculture rather than delivering humanitarian aid. We have therefore scaled up our presence in South Sudan by appointing a Country Manager.

STRATEGIC OBJECTIVES AND ACHIEVEMENTS IN 2011

Four key strands have run through Farm Africa's project work over the last three years:

- **Developing models of good practice in smallholder development, pastoral development, community forest management and land reform that demonstrably reduce poverty in diverse situations with wide applicability;**
- **Improving relevant government policies that inhibit uptake of good practice and prioritisation of agriculture in public sector expenditure and Poverty Reduction Strategy Papers;**
- **Improving the practice of agricultural development by government, civil society and private sector staff; and**
- **Increasing understanding of, and engagement in, African agricultural development among the public, media, companies and organisations in the North and South, in order to facilitate the development and scaling-up of Farm Africa models.**

Our focus is not only to deliver directly programmes that help create solutions to rural African poverty but also to apply the learning from this work to help remove the barriers to wider uptake. In this way, we are able to leverage significantly the numbers of people our work impacts. Many powerful examples of the effectiveness of this approach are contained in the following pages, and also on our website www.farmafrica.org.uk.

Our work in 2011 was concentrated in three main areas:

- Working with rural African farmers and smallholders through our Smallholder Development programme;
- Working with forest dwellers and other users of these vital natural resources through our Participatory Forest Management programme; and
- Supporting some of the poorest and most marginalised people on the planet through our pastoralist programme.

Reliable beneficiary data has an important role to play in how Farm Africa communicates its impact to donors, supporters and other stakeholders. As part of our ongoing work in measuring and communicating our impact we applied the widely recognised categories of direct and indirect benefit. The definitions of direct and indirect given below are used to collate accurate and consistent beneficiary 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 also includes the household members of these individuals. Examples of benefits that individuals could receive include training, livestock, tools, seeds and credit to start a business. Direct beneficiaries are characterised by the project outputs having high impact on the individuals and a high attribution of that impact to the project – and are specifically measured by the project.

Indirect beneficiaries - individuals who gain a benefit from an intervention that Farm Africa have helped to establish. Impact and attribution here varies but typically impact is secondary and direct attribution is more challenging to identify specifically. The project will typically estimate these and they will be moderated by Farm Africa's programme team. One example is the Dryland Farming Project in Kenya where 16,300 people indirectly benefited from activities such as improved access to water points that had been primarily established for small scale irrigation by the project as well as open field days where direct beneficiaries demonstrated their agricultural improvements to the wider public. Another powerful example is that of forestry where the indirect impact of improvements to the watershed could affect the 12 million people who are dependent on the hydrology of that region. Both impact and attribution are not usually directly measured and are more based on reasoned theories of change. This type of beneficiary should be categorised as indirect and we have separated these numbers out in the figures given below.

For 2011, we estimate that we reached 802,000 (2010: 649,000) direct beneficiaries and 6.3 million (2010: 6.4 million) indirect beneficiaries. We are continuing to standardise the methods used to count beneficiaries across our projects including measuring the value of the impact for the beneficiaries.

In addition to the above, as lead partner of the consortium with Self Help Africa in receipt of the PPA funding totalling £2,308,000 in 2011, Farm Africa's charitable expenditure includes £1,115,000 that has been on-granted to Self Help Africa. As PPA funding is designed to be strategic it is not possible to identify the specific beneficiaries associated with the funding on-granted to Self Help Africa and therefore no beneficiaries associated with this funding have been included in the above numbers.

HOW DID WE DO AGAINST OUR 2011 OBJECTIVES?

To continue to develop, refine and validate agricultural practices with real impact through our grassroots projects: we will continue to develop models of agricultural best practice that make a demonstrable improvement to the lives of East African farmers;

Farm Africa launched the Mandeleo Agricultural Enterprise Fund (MAEF) following the success of our earlier Maendeleo Agricultural Technology Fund (MATF). The fund has a specific focus on improving market linkages for smallholder farmers with a particular emphasis on women and youth engaged in farming. The first MAEF call for proposals on the theme 'Women farmers in the agricultural value chain' received 342 applications from community based organisations underscoring the importance of MAEF in fostering agricultural innovation at the grassroots.

Our forestry work in Ethiopia built further on our relationship with the government and community and we are now engaged in a REDD+ project, partnering with many interested institutions including the World Bank who have shown a real interest in funding the Bale REDD+ initiative under their Bio-Carbon Fund.

Farm Africa also supported a delegation of the Oromia Regional Government to Durban, South Africa for the COP 17 climate change talks. This was to continue the technical support for Government to be involved in international negotiations and to enable the creation of networks that are essential for the Bale REDD+ project development. We have also contributed to activities and to the launch of Ethiopia's Climate Resilient Green Economy (CRGE), a vital initiative that places Ethiopia among the leading countries in adopting the carbon neutral growth path.

Our active engagement in climate change related initiatives through our REDD+ project led to an invitation to serve as a member of the Climate Change Taskforce that was set up by the Ethiopian Ministry of Agriculture.

In Kenya we established a new project that aims to build the capacity of young people to engage in agriculture as a viable livelihood, improve yields of nutritious high-value crops and make informed decisions about their sexual and reproductive health. In the first year this project has successfully established outdoor demonstration plots with crops such as indigenous vegetables, capsicum, butternut squash and aubergines on approximately 0.25 acre size plots. The young farmers have received orders for supplying vegetables to a range of supermarket chains in the region.

Our aquaculture project successfully established six AquaShops that serve as commercial hubs for smallholder farmers to access fish farming inputs, source technical advice and links to markets. The project has also trained farmers in business planning that has helped them target markets and supply these markets with good quality fish.

An external evaluation of Farm Africa's sesame project in Tanzania showed that the project contributed to increased incomes among the target farmers. The proportion of target farmers earning more than Tshs 1,000,000 a year (or US$ 1.61 a day) increased from 24% at baseline to 37% at the time of the evaluation. Sesame production per unit area increased threefold from 1.2 tons per acre in 2008/09 to 3.5 tons per acre in 2010/11. The evaluation report praised the project for strengthening the Local Governments (LGs) to ensure institutional sustainability of the project in the medium to long term.

To establish Sidai as an effective route of providing quality, accessible and affordable livestock services including clinical services, veterinary drugs, farm inputs, animal feeds and artificial insemination in Africa;

Sidai has moved rapidly from a concept to a dynamic and growing enterprise. An experienced senior management team was recruited in early 2011. Since that point we have recruited 13 franchises in North-East Province, North Rift Valley, Narok and Kajiado districts of Kenya as well as opening three company-managed Livestock Service Centres in Eldoret, Garissa and Narok.

The advertisement for franchisees created huge interest in the company. Potential franchisees travelled long distances to be interviewed hoping that this new company would help them reach more farmers, and build successful professional businesses. The franchisee training highlighted how small business people can be and the importance of support to help them to grow. Franchisees were carefully selected for their genuine interest to serve the needs of their community and reach more farmers. We aim to transform vets from shopkeepers selling drugs to professional solution-providers. The early signs are very encouraging indicating that the branding, training and connection with Sidai is already raising standards of service to new levels. We now have 13 franchises and plan to have 150 in the next 4 years. We have also had substantial interest and interaction with pharmaceutical suppliers and with government over the course of 2011.

To enhance our communications and confirm our reputation as an expert organisation and allow us to celebrate the achievements of African farmers;

Farm Africa was invited by BBC World Service in August to discuss issues relating to agriculture. We were asked to comment on the serious drought in East Africa and we emphasised the importance of supporting small-scale agriculture as nearly two thirds of the population in all the five countries we work in are entirely dependent on it for their livelihoods. We highlighted examples of our work with fish farmers in Kenya and cassava farmers both in Kenya and South Sudan. Journalists from The Guardian visited our projects in both these countries and wrote articles that emphasised that with sufficient knowledge and support smallholder farmers in Africa can make a living from their smallholdings. Farm Africa also had a number of features in sector and specialist media including New Agriculturalist and The Grocer magazine and Farmers Weekly magazine.

To produce and disseminate comprehensive evidence of the impact of our work, leveraging the Apex Monitoring Report and other evaluation tools, to enable proven good practice to be more widely taken up;

2011 saw the production of the first Apex Monitoring Report (a summary of project self-assessments covering efficiency, effectiveness and sustainability) which provides the basis for an improved understanding of our programmatic activity and outcomes. Farm Africa also introduced tools to measure the economic and social cost benefit of certain projects and to share this knowledge widely to enable good practices to be more widely taken up. For example, Farm Africa's *Prosopis* project in the Afar region of Ethiopia set up a joint planning and monitoring and evaluation system at the district level that enabled the Afar Regional Government to establish a database to improve information sharing and networking among its partner agencies and relevant ministries. This has helped in disseminating knowledge to partner agencies and increased their interest in the management of *Prosopis* in Afar and Somali regions of Ethiopia.

To continue to increase the organisational-wide impact of our support services, allowing our finance, HR and IT functions to effectively support our operational objectives.

2011 also saw an investment in our support services. The implementation of a new integrated financial system allows us to better monitor and control spending across our projects and the development of a new performance appraisal system for the whole organisation will underpin our recognition that our staff are a key element in delivering our ambitions.

FURTHER EXAMPLES OF OUR WORK THAT DEMONSTRATE WHAT WE HAVE DELVERED WITHIN EACH OF THE FOUR KEY STRANDS OF OUR PROJECT WORK

Testing and developing good practice in technology, partnership and process in order to transform lives

Farm Africa's rice, beans and groundnut project in Uganda is aims to address low agricultural productivity and poor access to profitable markets. Nearly 18,000 farmers in Central Uganda will be provided with improved varieties of seed and trained in production technologies and financing systems that can improve their livelihoods. The project uses proven technologies based on an earlier MATF project implemented in various countries in the region. The project successfully established 55 demonstration sites in three districts that introduced new and drought resistant varieties of rice, groundnuts and beans.

Improvement in relevant government policies that inhibit the uptake of good practice and prioritisation of agriculture in public sector expenditure and Poverty Reduction Strategy Papers.

Farm Africa implemented a project in Kenya to pilot an e-based livestock disease surveillance, reporting and information management system by the district veterinary officers in Isiolo and Garissa districts in Kenya. The formation of the Livestock Surveillance and Report Working Group (LSRWG) and the use of the task forces in implementation of the activities proved to be both useful and effective. The project helped in establishing ownership of the e-learning process with the key implementers – the senior management staff of the Kenyan Department of Veterinary Services. The Livestock Surveillance and Reporting Working Group also provided an opportunity for effective articulation of other issues that created an enabling environment for the successful adoption of e-reporting and surveillance. This project has now laid the basis for trialling livestock surveillance in other districts of Kenya.

Sharing our expertise with others through training and technical support

Farm Africa's sesame project developed several materials in the form of brochures, documentaries, fact sheets and training materials. Some of this material was translated into Kiswahili and distributed widely to various audiences including farmer groups and government extension workers. The training materials produced by the project have helped other farmers in the region to take up sesame cultivation. The local television and newspapers also used the material contributing to wider dissemination of the learning from this project.

CAHNET a network established to facilitate communities of poor livestock keepers and administered by Farm Africa continues to lead on disseminating information to poor livestock keepers in East Africa. In 2011 CAHNET produced communication materials on various themes relating to animal husbandry including videos to disseminate information on artificial insemination in cattle, East Coast Fever vaccines and worm control. CAHNET also produced videos on a step by step approach to constructing goat houses and on avian influenza and Newcastle disease that received positive feedback from farmers. Based on the feedback received CAHNET produced brochures in the local language to remind the farmers what they had learnt. This approach has been widely recognised by extension workers as an effective way of embedding technical information and translating it into practice.

Increased understanding of, and engagement in, African agricultural development among the public, media, companies and organisations in the North and South, in order to facilitate the development and scaling-up of Farm Africa models

Farm Africa's cassava initiative is a partnership between Farm Africa and SABMiller that aims to scale up cassava production to take advantage of an emerging market as well as improve food security for two thousand smallholder farmers. The project is training small scale farmers on farming as a business to secure increased income from their farms and create employment along the value chain. The lessons that are being learnt from this project are are helping the civil society organisations in the region and in the UK to understand how to work with the private sector while at the same time playing a facilitative role that enables smallholder farmers to gain from the market opportunities offered by a corporate company as of their supply chain.

PUBLIC BENEFIT

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

1. **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.
2. **The benefits generated relate to the objects of the charity.** All activities undertaken are intended to further Farm Africa's charitable objects, summarised above.
3. **The people who receive support are entitled to do so according to criteria set out in the charity's objects.** All Farm Africa's projects are centred around rural African farmers (pastoralists, agro-pastoralists, smallholders and forest dwellers), the target beneficiary group specified in our first charitable object.

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.

PLANS FOR THE FUTURE

Rising food prices, continued chronic hunger and the unpredictability of climate change is focusing the world's attention on the importance of agriculture for Africa.

Despite these challenges, Farm Africa believes that Africa, through its smallholder farmers, has the potential to be food secure in the future and develop rural prosperity.

We believe that there is a unique opportunity for us to help overcome chronic food insecurity and increase rural prosperity over the next four years. Our Strategic Plan 2012 – 2015 outlines our 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.
  - Working with partners and other key players we will indirectly improve the lives of over 15 million people each year in eastern Africa.

We have identified six programme priorities and 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 the FARM Africa Strategic Plan 2012 – 2015 which can be downloaded from our website www.farmafrica.org.uk.

FINANCES

Overview

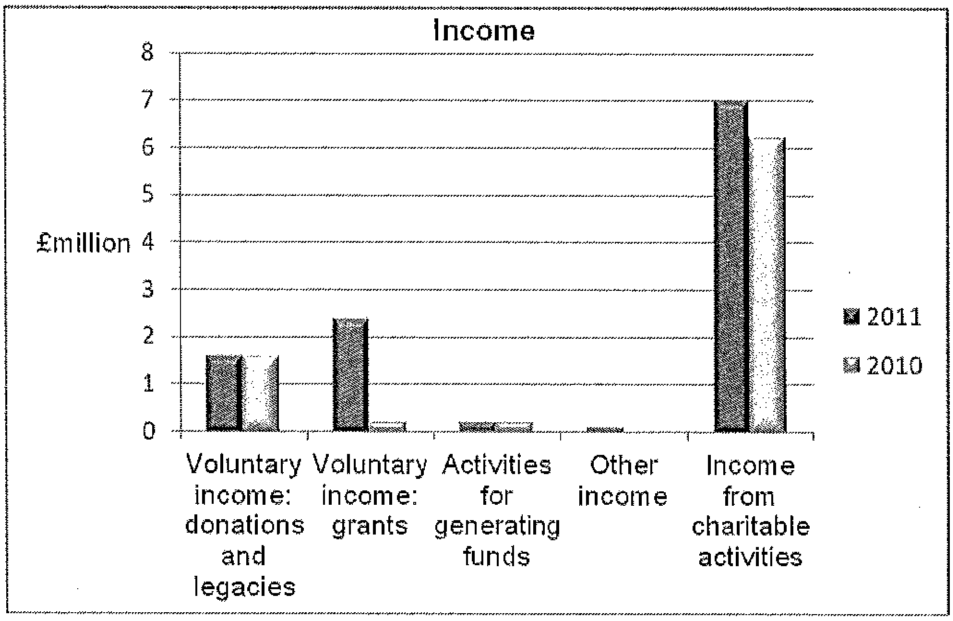
2011 has been a successful year for Farm Africa financially. For the first time our income has exceeded £10 million, allowing us to deliver more for our beneficiaries than ever before. Securing the 3-year PPA funding stream, which is strategic rather than specifically project focussed, has allowed us to invest in innovative, high quality programmes that we have not previously been able to fund.

Our 2011 financial statements also include the results of our subsidiary undertakings, principally Sidai which commenced trading in the year.

Income

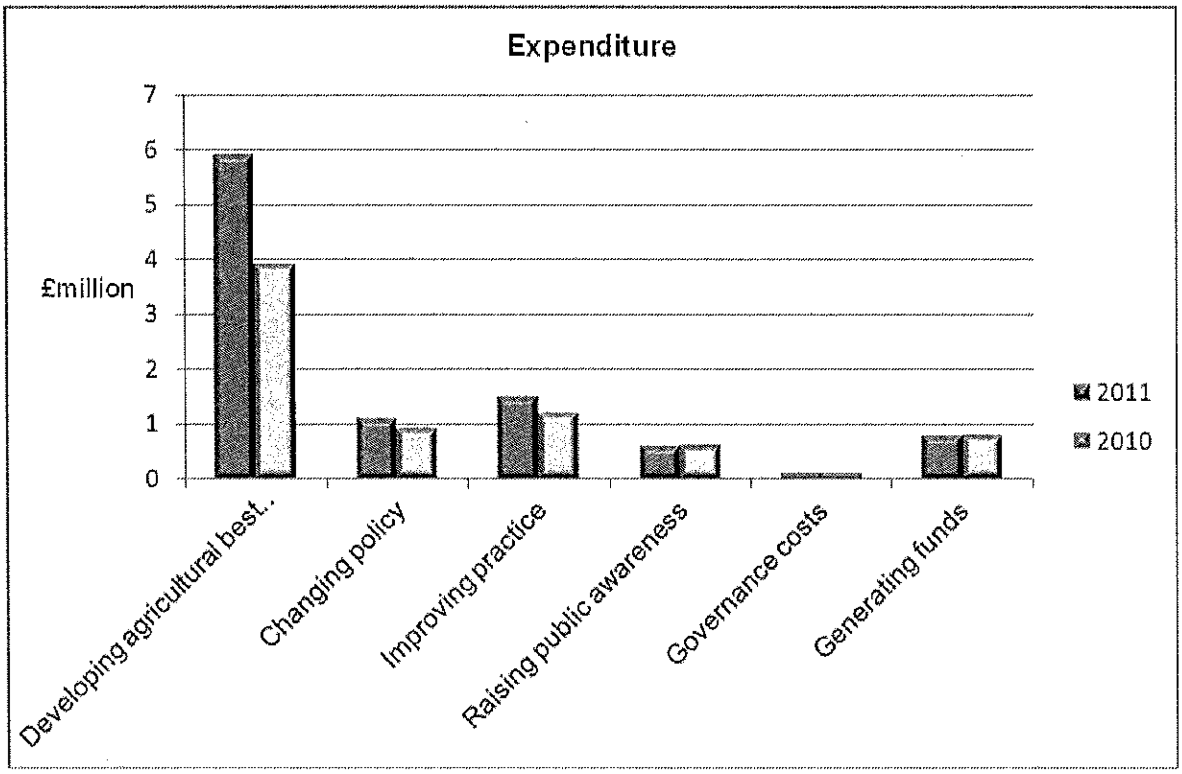
Our total income increased by £3 million to £11.2 million (2010: £8.2 million). The majority of the increase in income arose from the receipt of the PPA funding (£2.3 million), but we also saw an increase in our incoming resources from charitable activities of £0.7 million reflecting the continued support of our government, institutional and other similar donors.

However, fundraising income excluding grants remained static at £1.8 million reflecting both the difficult external environment and a previous low investment in fundraising. Maintaining an appropriate balance between income streams is vital for the long term stability of the charity and we will be investing in our unrestricted fundraising during 2012 & 2013 to build a solid platform across income streams to support our ambitious strategy for growth and to replace the PPA funding stream which will come to an end in March 2014.



Expenditure

Our total expenditure has increased by £2.5 million to £10.0 million (2010: £7.5 million). The whole of the increase in expenditure relates to spending on charitable activities which increased from £6.6 million in 2010 to £9.1 million in 2011. This includes £1.1 million of PPA funding that we have on-granted to our consortium charity partner, Self Help Africa. The remaining increase relates to expenditure we have made directly.



Reserves

Overall we generated a surplus of £1.1 million, which can be further broken down into a restricted surplus of £0.2 million and an unrestricted surplus of £0.9 million. As at 31 December, £0.6 million of our unrestricted funds are designated representing amounts received from the PPA that we plan to invest in our programme priorities during 2012.

In summary, we begin 2012 in a reasonable financial position with reserves necessary to start to deliver our ambitious goals for growth in 2012, and plans in place to increase our income to deliver this growth in 2013 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 consider 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 admin recovery and co-funding) of between 5 and 40% dependent on source,
- Unrestricted expenditure risk – 3 months' of unrestricted salaries plus 1 month of other unrestricted spend, and
- Programmatic expenditure – 3% of projected restricted expenditure.

These measures imply an unrestricted reserves target at 31 December 2011 in the region of £1.2 million. This compares to an actual figure of unrestricted funds, excluding those designated, of £0.9 million. As we have noted elsewhere in this report, this is a time of significant challenge 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 in holding an ongoing level of reserves below that suggested above in order to support this growth.

GOING CONCERN

We have set out above a review of financial performance and the charity's reserves position. We consider that we have adequate financial reserves to continue to deliver against our plans and that we have a reasonable expectation that we have 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 and 4 of this report.

Mr Michael Palin CBE kindly agreed to continue as patron of Farm Africa during 2011. 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.

New Trustees receive a personalised induction, including briefings from the Chair, Chief Executive and other Senior Management Team members. They are also 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, as and when specific training needs are identified.

The Finance Remuneration and Audit Committee (FRAC) meet regularly under the chairmanship of Richard Lackmann, Farm Africa's Treasurer. FRAC normally includes 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 implementation of actions required as a result. FRAC also undertakes a detailed review of the annual budget, quarterly management accounts, the risk register and the annual report 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 regularly under the chairmanship of Professor Peter Hazell throughout 2011. Sadly, Peter Hazell will be stepping down in 2012 after many years of service. We are delighted that Professor Jonathan Kydd has accepted the position of chair in his stead. PAC includes at least two trustee members, together with external members from a wide range of disciplines. It has two main 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 a 'sounding-board' and advice on aspects of its programme work.

The Nominations Committee also continued its work during the year. The Nominations Committee is chaired by Martin Evans and consists of not less 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) organization that promotes and improves agriculture, natural resource management and food production in an effort to alleviate hunger and poverty in Africa.

During 2011, Farm Africa had one active subsidiary, FARM-Africa Enterprises Limited, which acted as an investment holding company for Sidai, our veterinary franchise operation in Kenya. Further detail of all is given in note 16 to the accounts.

GRANT-MAKING POLICY

The 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 also makes grants to partner organisations and individuals in order to build up their capacity to plan, manage and report on small development initiatives, or 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 on-grant monies to the other consortium members.

RISK MANAGEMENT

The Board is responsible for ensuring that there is an appropriate procedure for the management of the 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 mitigating actions and controls, in place at each meeting. The two most significant risks identified by the Board are the maintaining and increasing programmatic funding and security risks arising in each of the countries 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 audit by independent organisations provides additional support for the Trustees in considering the effectiveness of the controls.

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 support this strategy, and are satisfied that the management systems in place provide reasonable, albeit not absolute, assurance that identifiable risks are managed appropriately.

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). Its objects and powers are set out in its Memorandum and Articles of Association. Details of Farm Africa's subsidiary entities is included in note 16 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 forthcoming Annual General Meeting.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also the directors for the purposes on 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;
- 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.

ON BEHALF OF THE BOARD:

Martin Evans, Chairman

24 May 2012

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

We have audited the financial statements of Food and Agricultural Research Management Limited for the year ended 31 December 2011 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 25.

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.

We read all the information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2011 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 prescribed by the Companies Act 2006

In our opinion the information given in 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

30 May 2012

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2011
(INCORPORATING INCOME AND EXPENDITURE ACCOUNT)

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2011 £'000	Total Funds 2010 £'000
INCOMING RESOURCES					
Incoming resources from Generated Funds					
Voluntary income:					
Donations and legacies	2	**1,579**	-	**1,579**	1,564
Grants	2	**2,388**	-	**2,388**	171
Gifts in kind	2	**36**	-	**36**	38
Activities for generating funds	3	**150**	-	**150**	194
Investment income	4	**2**	-	**2**	5
Total incoming resources from generated funds		4,155	-	4,155	1,972
Incoming Resources from Charitable Activities	5	114	6,875	6,989	6,253
Other incoming resources	6	30	-	30	-
Total incoming resources		4,299	6,875	11,174	8,225
RESOURCES EXPENDED					
Costs of generating funds					
Voluntary income:					
Donations and legacies	8	**(659)**	-	**(659)**	(626)
Grants	8	**(98)**	-	**(98)**	(148)
Activities for generating funds	9	**(62)**	-	**(62)**	(58)
Total costs of generating funds		(819)	-	(819)	(832)
Costs of charitable activities					
Testing & developing agricultural best practice	10	**(1,272)**	**(4,592)**	**(5,864)**	(3,915)
Changing policy	10	**(463)**	**(684)**	**(1,147)**	(846)
Improving practice	10	**(424)**	**(1,056)**	**(1,480)**	(1,229)
Raising public awareness	10	**(245)**	**(343)**	**(588)**	(567)
Total costs of charitable activity		(2,404)	(6,675)	(9,079)	(6,557)
Governance costs	12	(137)	-	(137)	(133)
Total resources expended		(3,360)	(6,675)	(10,035)	(7,522)
Net incoming resources for the year	7	939	200	1,139	703
Transfers between funds	19	-	-	-	-
Net movement on funds		939	200	1,139	703
Total funds brought forward		540	2,330	2,870	2,167
Total funds carried forward	19	1,479	2,530	4,009	2,870

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 28 to 41 from an integral part of these financial statements.

BALANCE SHEETS
BALANCE SHEETS AS AT 31 DECEMBER 2011

	Notes	2011 Group £'000	2011 Company £'000	2010 Group £'000	2010 Company £'000
FIXED ASSETS					
Tangible assets	15	**157**	**30**	39	39
Investments	16	**-**	**10**	-	-
Total fixed assets		**157**	**40**	39	39
CURRENT ASSETS					
Stock: goods for resale		**32**	**-**	-	-
Debtors	17	**851**	**698**	1,406	1,406
Cash at bank and in hand					
- Held for restricted projects		**2,072**	**2,072**	1,736	1,736
- Other		**1,213**	**962**	173	173
Short-term deposits		**275**	**275**	274	274
		4,443	**4,007**	3,589	3,589
Creditors					
Amounts falling due within one year	17	**(591)**	**(504)**	(758)	(758)
Net current assets		**3,852**	**3,503**	2,831	2,831
NET ASSETS		**4,009**	**3,543**	2,870	2,870
FUNDS					
Restricted funds	19	**2,530**	**2,101**	2,330	2,330
Unrestricted funds	19				
- General funds		**886**	**849**	540	540
- Designated funds		**593**	**593**	-	-
TOTAL FUNDS	20	**4,009**	**3,543**	2,870	2,870

Approved by the Board and authorised for issue on 24 May 2012 and signed on their behalf by:

Martin Evans
Chairman

Richard Lackmann
Treasurer

Registered Company No: 01926828

The notes on pages 28 to 41 form an integral part of these financial statements

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow/ (outflow) from operating activities	A	**1,507**	(357)
Returns on investments and servicing of finance			
Deposit interest received		**2**	5
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(162)**	(26)
Proceeds from the sale of fixed assets		**30**	-
Increase/ (decrease) in cash		**1,377**	(378)
Net cash resources at 1 January		**2,183**	2,561
Net cash resources at 31 December	B	**3,560**	2,183

Notes to the cash flow statement

A.	RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2011 £'000	2010 £'000
	Net incoming resources	**1,139**	703
	Depreciation	**44**	33
	(Profit) on the disposal of fixed assets	**(30)**	-
	Decrease / (increase) in debtors	**555**	(687)
	(Decrease) in creditors	**(167)**	(401)
	(Increase) in stocks	**(32)**	-
	Investment income	**(2)**	(5)
	Net cash outflow from operating activities	**1,507**	(357)

B.	ANALYSIS OF CHANGES IN CASH DURING THE YEAR	2011 £'000	2010 £'000	Change in Year £'000
	Short term deposits held in UK	**275**	274	1
	Cash at bank and in hand held for restricted projects	**2,072**	1,736	336
	Cash at bank and in hand overseas held for other uses	**1,213**	173	1,040
		3,560	2,183	1,377

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 19.

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.

b) Change to basis of presentation of charitable income

In 2011, grants receivable for the provision of goods and services to our beneficiaries have been classified as incoming resources from charitable activities. Grants receivable for strategic or core activity or of a more general nature continue to be classified within incoming resources from generated funds. The 2010 financial statements have been restated to reflect his change with incoming resources from generated funds decreasing by £6,253,000 and incoming resources from charitable activity increasing by £6,253,000. There is no impact on the overall surplus for that year. The change to the basis of presentation better reflects the nature of the funding received.

c) 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.
- Unrestricted funds: designated – these are funds which the trustees have designated for a particular use.

d) 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.

e) Resources expended

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

1. ACCOUNTING POLICIES (CONTINUED)

e) Resources expended (continued)

Charitable expenditure is reported as a functional analysis of the work undertaken by Farm Africa, against our four strategic outcomes of testing and developing models of agricultural best practice, campaigning and influencing agricultural policy, improving agricultural practice through training and support and raising public awareness. 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 activity cost categories on a basis consistent with the use of resources, e.g. allocating office property costs by floor area, and management and human resources costs by the time spent on each area.

f) 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.

g) 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.

h) 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.

i) 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 15.

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

1. ACCOUNTING POLICIES (CONTINUED)

i) Fixed assets (continued)

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.

j) 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: VOLUNTARY INCOME

	Unrestricted 2011 £'000	Restricted 2011 £'000	Total 2011 £'000	Total 2010 £'000
Donations and legacies				
Committed Giving	539	-	539	613
Appeals and Donations	672	-	672	814
Legacies (note 27)	71	-	71	137
Corporate Donations	297	-	297	-
	1,579	-	1,579	1,564
Grants				
Institutional donors: Department for International Development Programme Partnership Arrangement	2,308	-	2,308	-
Trusts and foundations	80	-	80	171
	2,388	-	2,388	171
Gifts in kind				
Donated services	36	-	36	38
	36	-	36	38

3. INCOMING RESOURCES FROM GENERATING FUNDS: ACTIVITIES FOR GENERATING FUNDS

	Total 2011 £'000	Total 2010 £'000
Community fundraising	96	90
Rent receivable	49	89
Merchandise sales	5	15
	150	194

4. INCOMING RESOURCES FROM GENERATING FUNDS: INVESTMENT INCOME

	Total 2011 £'000	Total 2010 £'000
Deposit interest	**2**	5

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES: GRANTS

Grants from government, institutional & other similar donors	Unrestricted 2011 £'000	Restricted 2011 £'000	Total 2011 £'000	Total 2010 £'000
Africa Enterprise Challenge Fund in partnership with SABMiller	-	**176**	**176**	-
Alliance for Green Revolution in Africa	-	**255**	**255**	-
AusAID	-	-	-	32
Bill & Melinda Gates Foundation	-	**835**	**835**	250
Big Lottery Fund	-	**95**	**95**	166
CARE Ethiopia	-	**382**	**382**	-
CARE International	-	-	-	513
Comic Relief	-	**44**	**44**	-
Cordaid	-	**415**	**415**	73
Department for International Development	-	**446**	**446**	149
The Embassy of The Netherlands to Ethiopia	-	-	-	1,095
European Commission for Humanitarian Office	-	**274**	**274**	-
European Union	-	**1,160**	**1,160**	2,041
Embassy of Ireland to Ethiopia	-	**288**	**288**	41
Ford Foundation	-	-	-	49
GALVmed	-	**356**	**356**	427
Georg und Emily von Opel Foundation	-	**150**	**150**	-
Jersey Overseas Aid Commission	-	**179**	**179**	-
Kilimo Trust	-	**86**	**86**	101
Medicor Foundation	-	**110**	**110**	-
Norwegian Embassy & Irish Aid	-	**449**	**449**	-
Small Foundation	-	**133**	**133**	-
Stavros Niarchos Foundation	-	**43**	**43**	-
The Big Give	-	**63**	**63**	-
the innocent foundation	-	**40**	**40**	-
The National Development Fund of Norway	-	**228**	**228**	225
United Nations Office for the Coordination of Humanitarian Affairs	-	**259**	**259**	368
Vitol Charitable Foundation	-	**84**	**84**	-
Other international agencies and other donors	**114**	**325**	**439**	723
	114	**6,875**	**6,989**	6,253

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES: GRANTS (CONTINUED)

Included in the figures above are the following amounts relating to projects funded by DFID:

	Incoming Resources £'000	Outgoing Resources £'000
Moyale Drought Mitigation	153	(153)
Livestock Surveillance	70	(58)
Northern Tanzanian Pastoralist	2	-
Aquashops – Kenya	221	(221)
	446	(432)

6. OTHER INCOMING RESOURCES

	Total 2011 £'000	Total 2010 £'000
Profit on sale of fixed assets and other miscellaneous income	**30**	-

7. NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging	Total 2011 £'000	Total 2010 £'000
Depreciation	**44**	33
Payments under operating leases	**196**	179
Auditor's remuneration	**24**	21

8. COSTS OF GENERATING VOLUNTARY INCOME

	Total 2011 £'000	Total 2010 £'000
Donations and legacies		
Fundraising costs	**471**	482
Support costs allocated (note 13)	**188**	144
	659	626
Grants		
Fundraising costs	**62**	120
Support costs allocated (note 13)	**36**	28
	98	148

9. COSTS OF ACTIVITIES FOR GENERATING FUNDS

	Total 2011 £'000	Total 2010 £'000
Community fundraising costs	**27**	30
Support costs allocated (note 13)	**35**	28
	62	58

10. COSTS OF CHARITABLE ACTIVITIES

	Operational Programmes £'000	**Grants Payable £'000 (note 11)**	**Support Costs* £'000 (note 13)**	**Total 2011 £'000**	*Total 2010 £'000*
Testing & developing agricultural best practice	4,199	1,049	616	5,864	3,915
Changing policy	685	363	99	1,147	846
Improving practice	1,185	171	124	1,480	1,229
Raising public awareness	530	2	56	588	567
	6,599	1,585	895	9,079	6,557

* 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.

11. GRANTS PAYABLE TO INSTITUTIONS

	2011 £000	2010 £000
SELF HELP AFRICA	**1,115**	-
Sub total General	**1,115**	-
PARTICIPATORY FOREST MANAGEMENT PROGRAMME		
Ethiopia – SOS Sahel	**410**	494
Sub total Ethiopia	**410**	494
MAENDELEO AGRICULTURAL TECHNOLOGY FUND		
Kenya – Africa NOW	-	18
Kenya – Farm Concern	-	6
Kenya Community Rehabilitation and Environmental Protection	**49**	5
Subtotal Kenya	**49**	29
Tanzania – Dutch Connexxion	-	15
Subtotal – Tanzania	-	15
Uganda – Africa 2000 Network	-	6
Uganda – Namulonge Agricultural Research Institute	**11**	17
Subtotal Uganda	11	23
GRAND TOTAL GRANTS	**1,585**	561

The above represents the total aggregate payments made to each institution during the year.

12. GOVERNANCE COSTS

	Total 2011 £'000	Total 2010 £'000
Auditor's remuneration		
Statutory audit	**24**	21
Overseas audit	**9**	6
Internal audit	-	11
Board costs		
UK Board	**2**	2
AGM costs	**2**	15
Strategic planning costs	**60**	47
Support costs allocated (note 13)	**40**	31
	137	133

Two Trustees were reimbursed £1,000 (2010: £nil) in travel expenses incurred on behalf of the organisation and one Trustee's travel costs were paid directly at a cost of £1,000 (2010: £nil). The cost incurred by the charity for the Trustee indemnity insurance was £1,000 in 2011 (2010: £1,000).

13. ANALYSIS OF SUPPORT COSTS

	Mgt Costs £'000	Office Costs £'000	Finance & IT £'000	HR Costs £'000	Total 2011 £'000	Total 2010 £'000
Basis of apportionment:	time	area	time	time		
Charitable activities						
Testing & developing agricultural best practice	47	290	232	47	616	368
Changing policy	7	45	39	8	99	83
Improving practice	10	54	49	11	124	110
Raising public awareness	4	25	22	5	56	55
	68	414	342	71	895	616
Income generation						
Voluntary income:						
Donations & legacies	4	51	75	58	188	144
Grants	2	8	19	7	36	28
	6	59	94	65	224	172
Community fundraising & merchandise	1	8	19	7	35	28
	7	67	113	72	259	200
Governance costs	3	-	37	-	40	31
	78	481	492	143	1,194	847

14. EMPLOYEES

	2011 £'000	2010 £'000
Staff costs		
Wages and salaries (including life insurance)		
Overseas contracted staff	2,322	1,826
UK contracted staff	900	837
Social security costs	91	90
Pension costs	59	55
	3,372	2,808

	2011 No.	2010 No.
Employees with remuneration in the range of £60,000 to £70,000	3	2
Employees with remuneration in the range of £70,000 to £80,000	1	2

Farm Africa paid contributions of £19,000 (2010: £18,000) into a defined contribution pension scheme for the 5 (2010: 4) higher paid employees in the year.

14. EMPLOYEES (CONTINUED)

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

	2011 No.	2010 No.
Overseas contracted staff	**223**	186
UK contracted staff:		
Fundraising and communications	**11**	12
Programmes support	**11**	10
Management and administration of charity	**2**	2
	247	210

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

15. TANGIBLE FIXED ASSETS

Group

	Leasehold Improvements £'000	Vehicles £'000	Machinery and Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2011	114	71	11	111	307
Additions	-	92	45	25	162
At 31 December 2011	**114**	**163**	**56**	**136**	**469**
Depreciation					
At 1 January 2011	(105)	(70)	(9)	(84)	(268)
Charge for the year	(4)	(15)	(6)	(19)	(44)
At 31 December 2011	**(109)**	**(85)**	**(15)**	**(103)**	**(312)**
Net book value					
At 31 December 2011	**5**	**78**	**41**	**33**	**157**
At 31 December 2010	9	1	2	27	39

15. TANGIBLE FIXED ASSETS (CONTINUED)

Company

	Leasehold Improvements £'000	Vehicles £'000	Machinery and Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2011	114	71	11	111	307
Additions	-	-	5	10	15
At 31 December 2011	**114**	**71**	**16**	**121**	**322**
Depreciation					
At 1 January 2011	(105)	(70)	(9)	(84)	(268)
Charge for the year	(4)	-	(3)	(17)	(24)
At 31 December 2011	**(109)**	**(70)**	**(12)**	**(101)**	**(292)**
Net book value					
At 31 December 2011	**5**	**1**	**4**	**20**	**30**
At 31 December 2010	9	1	2	27	39

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 £894,000 (2010: £1,946,000). The accounting policy relating to fixed assets is referred to in note 1(h).

16. INVESTMENTS

	Investment in subsidiary undertakings £
Cost and net book value	
At 1 January 2011	-
Additions	10
At 31 December 2011	10

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	99% owned by Farm Africa Enterprises Ltd & 1% owned by Farm Africa	Provision of veterinary services

FARM-Africa Trading Limited and FARM-Africa Intellectual Property Limited were dormant for all of the year.

16. INVESTMENTS (CONTINUED)

The results for the year of Sidai Africa Limited & FARM-Africa Enterprises Limited are shown below.

	Sidai Africa Limited		FARM-Africa Enterprises Limited
	2011	2010	**15 Months ended 31 December 2011**
	£'000	£'000	**£'000**
Total incoming resources	**883**	-	**750**
Total resources expended	**(418)**	(11)	**(750)**
Net incoming resources	**465**	(11)	**-**
Revaluation on translation	**28**	-	**-**
Retained surplus/(deficit) for the year	**493**	(11)	**-**
Total assets	**592**	5	**10**
Total liabilities	**(80)**	(16)	**-**
Total funds	**482**	(11)	**10**

17. DEBTORS

	2011 Group £'000	**2011 Company £'000**	2010 Group £'000	2010 Company £'000
Amounts owed by subsidiary undertakings	**-**	**7**	-	-
Trade debtors	**348**	**-**	-	-
Other debtors	**93**	**281**	249	249
Prepayments	**141**	**141**	111	111
Accrued income – other	**64**	**64**	48	48
Accrued income – project grants	**205**	**205**	998	998
	851	**698**	1,406	1,406

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 Group £'000	**2011 Company £'000**	2010 Group £'000	2010 Company £'000
Amounts owed to subsidiary undertakings	**-**	**10**	-	-
Trade creditors	**70**	**65**	63	63
Deferred income	**-**	**-**	42	42
Other creditors and accruals	**488**	**396**	628	628
Other tax and social security costs	**33**	**33**	25	25
	591	**504**	758	758

19. MOVEMENTS ON FUNDS

	Balance at 1 January 2011 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	**Balance at 31 December 2011 £'000**
Ethiopian Programmes	973	2,706	(2,590)	-	**1,089**
Kenyan Programmes	514	2,097	(1,998)	-	**613**
Tanzanian Programmes	260	858	(960)	-	**158**
South Sudan Programmes	355	239	(461)	-	**133**
Sidai Programme	228	931	(626)	-	**533**
South Africa Programmes	(4)	44	(40)	-	**-**
Other miscellaneous restricted funds	4	-	-	-	**4**
Movement on restricted reserves	2,330	6,875	(6,675)	-	**2,530**
Designated funds	-	-	-	593	**593**
General funds	540	4,299	(3,360)	(593)	**886**
Movement on unrestricted reserves	540	4,299	(3,360)	-	**1,479**
Total movement on reserves	2,870	11,174	(10,035)	-	**4,009**

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, we have chosen to designated £593,000 of our unrestricted funds representing amounts received from the PPA that we plan to invest in our programme priorities in 2012.

20. NET ASSETS ANALYSIS

Group

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Fund balances at 31 December 2011 are represented by:			
Tangible fixed assets	30	127	157
Current assets	1,651	2,792	4,443
Current liabilities	(202)	(389)	(591)
	1,479	**2,530**	**4,009**

21. 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.

22. COMMITMENTS: OPERATING LEASES

At 31 December 2011, Farm Africa has the following annual commitments under non-cancellable operating leases:

	Equipment	Property	2011 Total	2010 Total
	£'000	£'000	£'000	£'000
Operating leases which expire:				
In less than 1 year	-	16	16	6
Between one and two years	4	105	109	106
Between two and five years	10	57	67	8
	14	178	192	120

23. RELATED PARTY TRANSACTIONS

There were no related party transactions requiring disclosure.

24. PARENT COMPANY RESULT

The parent company generated a surplus of £673,000 (2010: a surplus of £623,000).

25. LEGACIES

There were no legacies notified to the charity that do not meet the recognition criteria and hence all legacies notified have been accounted for within these financial statements.

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:

Edward Atkins

Eileen Bell

Marian Boor

Anne Buchanan-Dunlop

Peggy Chalk

Frank Dorwood

P Edgson

John Ord

Diane Sellers

Margaret Sonander

Margaret Stokes

Dinah Whittingham