END HUNGER >>>> GROW FARMING

FARM AFRICA

ANNUAL REVIEW

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

FARM AFRICA LIMITED
(formerly Food and Agricultural Research Management Limited)

REGISTERED CHARITY NO: 326901

REGISTERED COMPANY NO: 01926828

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REPORT FROM THE CHAIR

As Chair of Farm Africa I am pleased to present Farm Africa's annual review and consolidated financial statements for the year ended 31 December 2015.

It has been a year of change for Farm Africa. In October we bade farewell to our CEO Nigel Harris, who had been at the helm for four years. Nigel led the organisation through a period of intense growth, and on behalf of all the trustees I wish to express our sincere gratitude for his efforts. Under his leadership, Farm Africa transformed the lives of millions of farmers and their families in eastern Africa.

With 2016 comes a fresh start and in February this year I was delighted to welcome Nicolas Mounard as our new CEO. Nicolas has extensive experience of managing commercial and non-for-profit organisations and of developing and managing long term agricultural programmes in developing countries. I am excited to see how his skills and experience will help us build on our ambitious plans to do even more to help millions more farmers in eastern Africa grow their incomes in an environmentally sustainable way.

The last year has been without doubt an extremely challenging year for the charity sector as a whole, and for Farm Africa. The continued impact of the global economic crisis and sustained adverse comments in the media in relation to public fundraising and charities in general combined to create the most difficult funding environment we have faced for many years.

However, we are proud to have secured large project grants totalling £9.6 million in the final quarter of 2015 and first quarter of 2016, with more exciting opportunities in the pipeline. Our total income in 2015 was £12.1 million, and expenditure totalled £12.7 million, of which 88% was spent on charitable activities while 12% was invested in fundraising to secure further support for our mission.

This funding has enabled us to effect transformational economic, environmental and social change to the lives of farming families in Kenya, Ethiopia, Tanzania and Uganda, as is evidenced in extracts from our Annual Impact Report, that are featured in these accounts.

Understanding impact is critical to our success. If we don't know what change we have delivered and why, we cannot learn what works best in which contexts or persuade others to adopt our approaches, bringing them to more farmers. For Farm Africa, impact is essentially about understanding '*what difference do we make'?*

In 2015 we're proud to have learnt that our impact has ranged from driving down the cost of delivery of training to sesame farmers in Tanzania, to reducing deforestation in the Bale Mountains of Ethiopia, to increasing the yields and incomes of fish farmers in Kenya. These are but a few examples of our success.

These projects might all look very different, but all of them are helping farming families in rural eastern Africa to escape poverty, while conserving the environment for generations to come.

I wish to extend heartfelt thanks to all the trustees, staff, supporters and volunteers who make Farm Africa's work possible. It is only with your support that we are able to work towards achieving our vision of a prosperous rural Africa.

With best wishes

Richard Macdonald, Chair
27 May 2016

REPORT FROM THE CHIEF EXECUTIVE

As Farm Africa's new CEO, it is a pleasure to reflect on the organisation's many successes in 2015. I have always admired Farm Africa for its expertise in agricultural development and sustainable management of natural resources, and am excited to have joined an organisation delivering such innovative programming at scale. In 2015, Farm Africa's work directly benefited 1.8 million people, the highest number of people ever reached in a year.

The balance between building livelihoods and conservation really sets Farm Africa apart in the charity sector, and means that we're able to help farmers grow their incomes not just today, but in years to come. A great example of this approach is our REDD+ project in the Bale Mountains of Ethiopia, which you'll read about later in this report. This project is helping to reverse deforestation by helping forest communities to make a living from forest-friendly businesses like wild coffee harvesting and honey production.

Another defining element of Farm Africa's approach that I've been excited to learn more about is market engagement: helping smallholder farmers to gain access to markets really is key to driving prosperity in rural Africa. In this report you'll read how we're helping farmers and pastoralists in rural Kenya to gain access to inputs markets where they can obtain the goods and services needed to grow high-quality crops and rear healthy livestock. You'll also find out how we're helping Tanzanian sesame farmers achieve higher prices for their harvests by improving the quality of their output, selling in bulk and marketing their products better.

Equally important to the economic and environmental impact of our work is the social transformation our projects spark. I was delighted to find out about how a Farm Africa project in rural Ethiopia helped to empower women not only economically, but also gave them more confidence to speak up in public meetings and to participate more actively in decision-making in their families.

I cannot end without mentioning the worst drought to hit Ethiopia in 50 years, which is currently decimating harvests for millions of farmers. As the frequency and intensity of extreme weather patterns increases, it's vital that we do all we can to help communities adapt and respond to a changing climate. One of our largest programmes, Market Approaches to Resilience, funded by UKaid, seeks to do just that, by using a wide range of tools ranging from mobile banking to insurance to improved weather information to help improve the resilience of vulnerable pastoralist and agro-pastoralist households in Ethiopia to climate change.

As we develop Farm Africa's new five-year strategy I look forward to sharing many more success stories with you in years to come. In the meantime, I would like to thank Farm Africa's supporters for giving me such a warm welcome, and for your ongoing commitment to our work.

With best wishes

Nicolas Mounard, Chief Executive
27 May 2016

ANNUAL REPORT OF THE BOARD OF TRUSTEES

The board of trustees of Farm Africa Limited, 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 2015.

LEGAL OBJECTS, STRATEGIC VISION, OBJECTIVES AND METHOD OF WORKING

Poverty is widespread in sub-Saharan Africa, with more than 40% of the population living below the poverty line, surviving on incomes of less than $1.90 a day.

But Africa possesses 60% of the world's uncultivated land suitable for crop production and has huge capacity for development. Farm Africa believes that Africa has the power to feed itself.

Farm Africa is an innovative charitable company that reduces poverty in rural eastern Africa by helping farmers grow more, sell more and sell for more: we help farmers to not only boost yields, but also gain access to markets, and add value to their produce.

We place a high priority on environmental sustainability and develop approaches that help farmers to improve their yields and incomes without degrading their natural resources. Our programmes vary hugely, ranging from helping crops farmers to boost harvests, livestock keepers to improve animal health, and forest coffee growers to reach export markets, but core to all of them is a focus on the financial sustainability of the farmers' businesses and environmental sustainability.

Farm Africa helps farmers to market their crops effectively, and sell their produce for a higher price in both domestic and international markets. Recognising that the private sector has a huge role to play in developing prosperity in rural Africa, we help smallholder farmers to develop links to markets. We do this by:

- Providing business development support to small and medium-sized agricultural enterprises so they can provide better services to smallholder farmers.
- Improving smallholder farmers' access to finance.
- Partnering with large-scale companies to help farmers gain access to higher value markets.
- Creating permanent social enterprises such as Sidai which offer services including livestock vaccination to rural pastoralists.

Our projects are designed to be:

- **Financially sustainable**: we help farmers to improve the profitability of their agricultural production and adopt improved practices that they will continue long after the end of the project.
- **Environmentally sustainable**: we promote the protection of local ecosystems and conservation of precious natural resources such as forests, waterways and soil quality.

- **Demonstrably scalable**: we generate credible evidence of the impact of our projects so we can catalyse wider change by convincing others to adopt our approaches.

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 and by acting in line with our values:

OUR VISION: a prosperous rural Africa.

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

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, and
- **sharing knowledge with others:** reaching more farmers than we could alone and ensuring effective technologies are widely accessed.

STRATEGIC REPORT

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

- By 2016, we aim to 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, and
    - 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 aim to 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.

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.

In 2015, the total number of direct beneficiaries engaged through our project portfolio was 1.8 million (2014: 1.4 million) which is significantly beyond the target of our 2012-2015 strategic plan. As we continue to develop our pilot programmes at the overlap of economic and environmental sustainability, we are able to both deepen the opportunities for development of our current beneficiaries and broaden the number of smallholder farmers with whom we work. We will continue to develop our organisational capacity to capture data on both the quality and impact of our work as well as beneficiary count.

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 work managing the watershed in the Bale eco-region offers an example of large numbers of indirect beneficiaries. The indirect impact of improvements to the watershed management and environmental services, in forest areas, are estimated to positively impact all downstream communities 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.

HOW DID WE DO AGAINST OUR 2015 OBJECTIVES?

As noted above, we exceeded our goal of reaching 1.5 million people in 2015 through agriculture and forestry programmes that demonstrate both economic and environmental sustainability.

This year we are delighted to publish our first ever annual impact report. The full document can be found on our website www.farmafrica.org. We have included case studies from that report to illustrate how we have delivered our objectives in 2015. The case studies outlined have been selected to provide a balance of project types and geographical areas.

ECONOMIC IMPACT

Economic impact refers to how our work leads to higher household incomes; how we help families to build up savings or manage their assets better; and how they benefit financially from better functioning markets or agricultural systems. Sometimes, it can refer to farmers' ability to increase production, or add value to their production, for example being able to sell ground pepper for a higher price than whole peppercorns. Higher incomes for farmers mean higher spending power and a better quality of life: increased earning potential may mean the ability to afford school books or uniforms for children or more nutritious food for the whole family.

From subsistence farmers to emerging small and micro-enterprises and their employees, everyone we work with is part of a market and as a result, engaging with and improving markets is key to our work. All Farm Africa projects support farmers to earn higher or more reliable incomes and to build their resilience to economic shocks – not just today, but for the long term. We do this by improving farmers' skills, knowledge and information so they can increase the quantity and quality of crops and livestock produced and find reliable local, national or international buyers for their surplus produce.

The following case studies demonstrate how we test new approaches to maximise our **economic impact** on households, technologies, systems and markets.

Households: How our support to sesame farmers has helped them grow incomes

Since 2008 we have been helping Tanzanian sesame farmers acquire the skills and knowledge to grow more sesame and sell it for a higher price.

Increasing quality and volume of production

We worked with farmers groups to test different types of sesame seeds to see which produced the best harvests, and encouraged them to join an officially registered co-operative so they could access loans from the Tanzanian government to buy more of the improved seeds. We provided training in good agronomic practices, sorting and cleaning to further boost the quality of the harvest.

Accessing higher value markets

Selling in bulk is key to being able to sell for a good price. The cooperative warehouse offered individuals farmers somewhere to store their harvest before it was sold in bulk, and

we helped farmers co-operatives to secure contracts to sell large amounts of sesame for a good price.

We helped farmers to gain access to the latest sesame market information, including price trends, seed prices, buyer locations and export prices, and share this information within their communities, so they knew what was a good deal.

Finally, we supported farmers in measuring the oil and moisture content of their sesame, so they could market it better, and helped them improve their marketing techniques and packaging.

Results

Our monitoring surveys covering the 5,520 smallholder farmers in the Babati and Mbugwe districts who we worked with between November 2011 and October 2014 found that the project brought about marked increases in the quality and volume of sesame grown, which in turn led to significant rises in farmers' incomes.

- Sesame production per hectare increased substantially from 0.25 tonnes per hectare to 0.98 tonnes per hectare.
- Lead farmers' average incomes more than doubled from TSh 647,000/- (£247) to TSh1,330,000/- (£507) between 2011 and 2014, while adopter farmers' income increased by 50% from TSh 560,000/- (£214) to TSh 870,000/- (£332) over the same period.

- Post-harvest losses fell from 40% to 20% per hectare, while the purity of sesame improved from 80% percent to 98.3%.

Technology: How our use of tablet computer training modules dramatically improves the delivery of farmer extension

By using a multiplier approach in our training we can effectively pass on knowledge to a large number of farmers and enable training sessions to continue even after Farm Africa's support ends. In the sesame project in Tanzania, lead farmers from communities are trained intensively in sesame growing and harvesting techniques using open-air demonstration plots, then share their knowledge with other farmers from their community, who we call adopter farmers. By the end of the second phase of our sesame project 5,520 farmers had been trained through our direct training of just 920 lead farmers.

Despite these successes, this approach has challenges that may limit its ability to deliver at scale. Using demo plots requires participants to travel to the site at a specified time. This can be particularly challenging for women, who often have many other household responsibilities. Training also has to be conducted at the right time in the growing season, which often means a limited window in which to train lead farmers, have them train the adopter farmers and ensure everyone has time to implement the new practices.

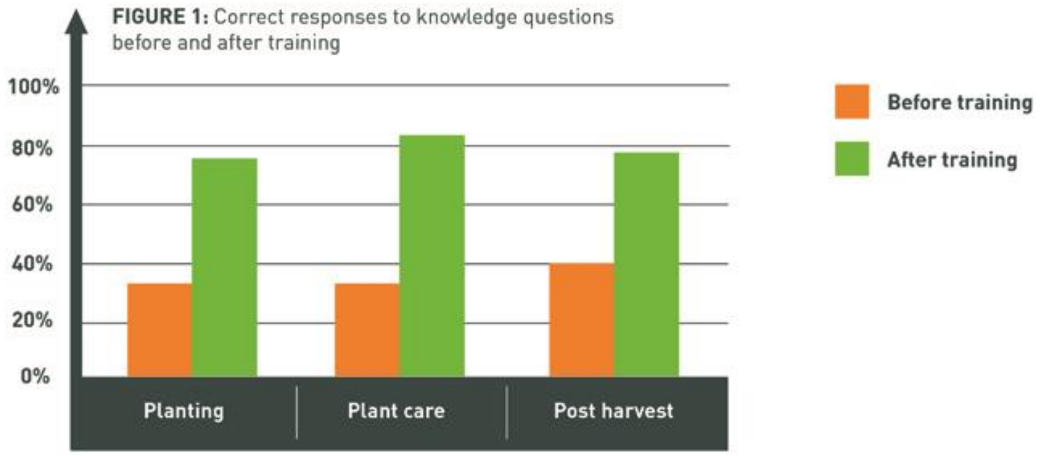
Introducing tablet computers

In 2015 we tested the use of training delivered via tablet computers, as an alternative to visiting traditional demo plots. As the project was already increasing sesame production and revenue for trained farmers, the pilot focused on what the farmers learnt from the tablet training course and how they applied it. The evaluation looked at whether using mobile technology would allow us to reach large numbers of farmers at the right time, and still provide training that is as effective as conventional training methods.

Working with the Cambridge Malaysian Education and Development Trust and the Malaysian Commonwealth Studies Centre we developed a series of training modules explaining best practice for each stage of the sesame production cycle. Ten lead farmers were trained in operating the tablets and these 'portable demo plots' were taken around to sesame farmers in their own homes. Participants viewed interactive videos in their local language, and their understanding was tested with inbuilt learning questions. Each farmer was visited several times as new modules were developed, giving them the chance to go back and repeat sessions, as desired.

The lead farmers collectively reached 499 sesame farmers, of whom 49 were interviewed on their knowledge of sesame cultivation and their experiences of using the tablets. Data was also gathered from a comparison group of farmers trained using demo plots.

Our evaluation showed that the knowledge of both groups of farmers rose significantly from an average of 36% of farmers correctly answering questions about sesame growing before the training to 71% correct answers for those trained via demo plots and 78% in the tablet group. There was some difference across subject areas in how effective the tablet training was, providing important information about the topics that require more emphasis or a different learning approach in the course. After taking the tablet course, 71% recognised that different sesame varieties had different resistances to disease, and 86% identified the correct planting methods.



Almost everyone interviewed (96%) introduced changes to their farming practices after the tablet course, mostly at the land preparation and planting stages. A large majority (76%) of respondents reported an increase in their income from sesame farming due to the adoption of improved farming practices they learnt.

Cost savings

An initial analysis of potential cost savings indicates that using mobile technology could dramatically reduce the cost of training farmers.

The tablet training method is estimated to reach farmers at around a third of the cost per head of training via demo plots, while being at least as effective as training using demo plots. This is an important finding for governments and companies wishing to train large numbers of farmers. Our evidence revealed that there were additional advantages which could mean that over time, the impact of training by tablet is likely to be higher, particularly for female farmers who may be less able to devote a whole day to travelling to demo plots.

Tablets offer women farmers the opportunity to view the training modules at home at times that are convenient to them.

Going forward, we will explore whether we can deliver training via mobile phones, which are often cheaper than tablets, the extent to which software requires an internet connection, and how to design the materials to ensure they are as effective as possible with female farmers. It is clear that additional study is required of how mobile-based training can become even more effective than face-to-face training, but this initial leaning has been valuable in informing our wider work.

Markets: How our social enterprise offers affordable livestock and crop inputs in rural Kenya

Livestock and agriculture in Africa play many different roles in supporting families and are particularly important for low-income households. Increasing income in urban areas is driving the demand for animal products and opening up new opportunities for livestock farmers to make money. Yet farmers in rural Kenya often face huge challenges in taking advantage of these growing opportunities as they lack good technical advice, access to quality inputs (drugs, feeds, vaccines, seeds, fertilisers etc) and access to markets.

Three key market failures are observed in the livestock and agricultural sector in Kenya:

- Lack of knowledge about potential benefits from quality inputs
- Poor quality input markets:in Kenya, 60% of livestock and crop inputs are sub-standard, and 85% of input retailers are unqualified.
- Lack of competition in input markets

Access to animal health services is particularly poor in arid and semi-arid lands, where 70-80% of Kenyan livestock live. The vaccines and veterinary services that are available tend to be ineffective and poorly administered, resulting in poor livestock performance. A quarter of Kenyan livestock die each year from preventable diseases.

Sidai set up to transform the agricultural input market

In 2011, Farm Africa set up Sidai, a social enterprise that provides high-quality inputs including feed, veterinary medicines, seeds and fertilisers, and livestock and veterinary services to pastoralists and farmers in rural Kenya.

Sidai's products and livestock services are provided at fair market prices through a network of 130 branded outlets and 350 stockists in remote locations, serving farming communities whose needs have often been neglected by commercial suppliers. All Sidai's customer facing staff are either vets or veterinary technicians (with minimum two years' training, usually three), well qualified to provide technical advice at the point of sale and on farms. On-farm support includes vaccination, artificial insemination and herd health packages.

Impact on Sidai customers

Critical lessons have been learnt over the last four years and Sidai has seen a number of successful outputs to date. Sidai currently serves 100,000 regular customers, supplying them with the goods and services they need to build profitable farming businesses. Nearly 40,000 farmers have been trained directly by Sidai staff. By working in partnership with agricultural TV series Shamba Shape Up and its call centre iShamba, Sidai's television and radio training sessions reach eight million people. Sidai has vaccinated seven million animals and has been successful in introducing a range of vital health products to remote and underserved regions of northern Kenya.

Although we have not systematically collected data about the household impact that Sidai has brought, we have seen anecdotal evidence that Sidai has brought about:

- Improved household security from lower livestock mortality
- Better nutrition due to an increased supply of animal products and crops
- Increased income from improved access to markets

Farmers' productivity has also improved considerably since they have engaged with Sidai. One key example is the work Sidai has been conducting with GALVmed to distribute the vaccine for East Coast Fever (ECF). Sidai has trained 55 staff who have since vaccinated 30,000 cattle. Farmers who have accessed this vaccine through Sidai have seen livestock losses falling from 30% to 5%, and these farmers now have less need to buy acaricides to deter the ticks that carry the disease, so save on costs in the long term. One livestock keeper explained the benefits:

"We used to lose about 16 cows to ECF every year. Our neighbours keep Borans and Zebus from pastoral areas, so we are constantly challenged by the Brown Ear ticks that carry the disease. We started to work with Sidai in 2014 and they helped us to understand the importance of vaccinating our cattle. After two years we have about 30 extra cattle, which are very good quality and we have been selling them for between Ksh180,000 and 240,000 each. I am very happy to work with Sidai – they came to my farm and explained everything we must do to protect the animals."

Improving access to markets

Sidai has been able to open up new, more efficient, value chains for its customers. One example of success is a partnership with Brookside Dairy where farmers have been able to access Sidai inputs through a milk check-off system: farmers bring milk to the plant and receive credit that can be used to purchase Sidai inputs. At the end of Brookside's standard payment terms (30 days), the farmers receive payment on any unspent credit. This provides immediate access to quality inputs and reduces selling through informal traders, who typically offer lower prices for milk. In a pilot scheme, farmers' milk sales to the dairy went up from 1,500 litres to 5,000 litres in three months.

Sidai's model has also provided new opportunities to agricultural entrepreneurs, helping them to build successful businesses supplying high-quality supplies and services to farmers and livestock keepers. One veterinarian who now owns a successful Sidai franchise told us:

"The smart new branding indicated to customers that I offer a professional service. I am also able to buy a wider range of products through Sidai at better prices than I got before. Sidai helped me organise farmer training, helped me reach many more farmers and increase my business. I am very happy I joined Sidai."

Sidai believes that delivering quality inputs and livestock services through a well-structured and competitive private sector is key to improving incomes, welfare and household security in rural Kenya. By giving farmers and livestock keepers the support they need to generate a consistent, profitable yield, Sidai improves farmers' financial security, food security and resilience to climate extremes, and helps them break free from dependency on emergency aid. Sidai is also beginning see its wider impact on the market, with competitors beginning to drive up quality standards and the services provided to farmers improving across the board.

ENVIRONMENTAL IMPACT

Environmental impact refers to how our work reverses deforestation, improves soil and water management at farm level, and improves the management of grasslands where livestock graze. Trees, water and healthy soil are vital ingredients for strong agriculture and healthy rural economies, both now and in the future. Farm Africa supports rural communities in sustainably managing their vital natural resources, such as forests, and in making a living from them, so that they have an economic incentive to continue protecting the environment.

The following example demonstrates how we have made conservation of trees pay for forest communities in Ethiopia.

Improved health of forests in Ethiopia

Deforestation and forest degradation account for nearly 20% of global greenhouse gas emissions[1]. Reducing Emissions from Deforestation and Forest Degradation (REDD+) is an international initiative that incentivises countries to reduce emissions from forests and enhance forest carbon stocks. In a project running from 2012 to 2016, Farm Africa has been working with the Ethiopian government and local NGO SOS Sahel to establish a REDD+ scheme in more than 330,000 hectares of forest in the Bale Mountains Eco Region in south-eastern Ethiopia. The project area is home to approximately one million people and the ecosystem holds global significance for its biodiversity, watershed protection and the long-term storage of carbon dioxide that the trees provide.

This scheme builds on 20 years or so of Farm Africa's 'participatory forest management', work in the area that encourages local communities to manage forests sustainably and profitably by setting up forest-friendly businesses, instead of cutting down trees for timber or firewood, or clearing the forest for agricultural or pastureland expansion.

Finding ways to make a living from what the forest naturally provides is a win-win situation. Not only do local communities reap dividends from producing forest coffee, honey, mushrooms and raffia, but millions more people are protected from the devastating impacts of forest loss, such as loss of biodiversity, increased carbon emissions and a reduced water supply in surrounding areas.

The REDD+ scheme enables communities and the government to generate carbon credits from their forest management that they will be able to sell, generating income that can be invested in further developing forest-friendly businesses.

Assessing the impact on the forest

Farm Africa conducted a study in 2015 to assess whether the levels of deforestation in the project area had reduced in the three years since the project began.

Satellite images[2] covering the total project area, including the buffer zone, were downloaded and analysed. Field visits were undertaken to validate the classification of land use identified in the images.

The satellite images from 2012 and 2015 were compared to assess deforestation rates over the period. The project impact is then estimated by comparing the observed deforestation rate with a projected 'business as usual' deforestation rate that would be expected if the project had not taken place. We applied the standard REDD+ methodology, which bases the projected deforestation rate on the historical deforestation rate for the preceding decade (2000-2011).

We found that for both the humid and dry forests within the project area, the deforestation rates had decreased markedly since the project started. Without the project, it was estimated

[1] http://www.un-redd.org/aboutredd
[2] Landsat data downloaded from United States Geological Survey website (www.usgs.gov)

that around 5% of the total forest area would have been lost between 2012 and 2015. This compares to an actual observed reduction of only 1%. The results are summarised below:

<u>Figure 3: Area of forest cover in project area 2012-2015</u>

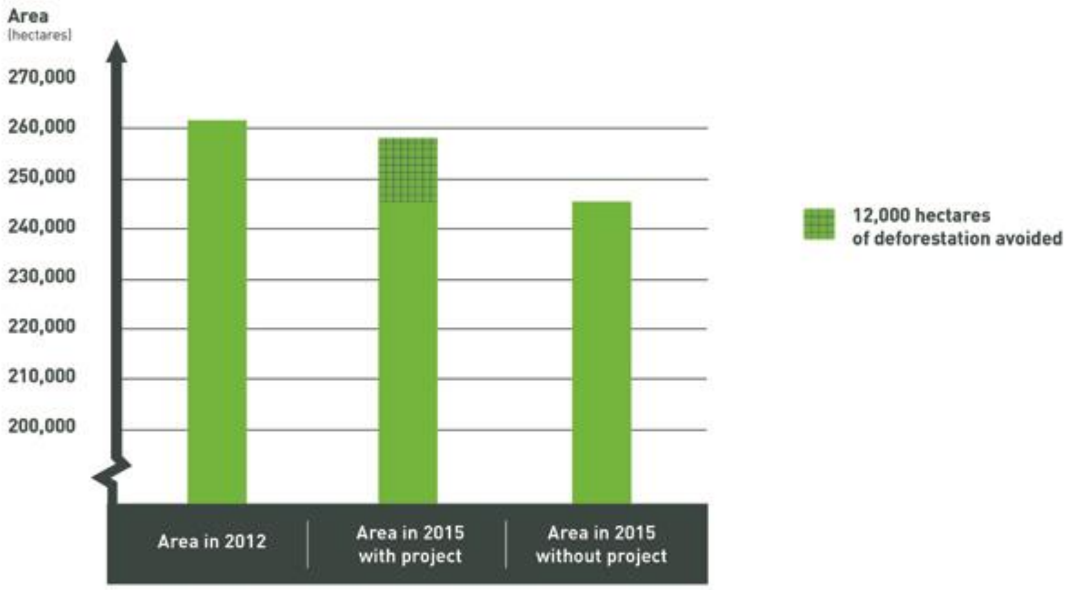


FIGURE 3: Area of forest cover in project area 2012-2015

It is clear that, although some forest area was lost during the three years of the project, the loss was far smaller than what was expected if the project had not taken place. In fact, deforestation was estimated to have been reduced by 81% over the whole project area.

These findings were backed up by Farm Africa's thorough consultations with the local communities in Bale. Focus groups confirmed the view that deforestation had reduced considerably in the period. Community members explained that when severe fire damage occurred in the boundary of the park in 2015, no outbreaks of forest fire were seen in the areas of forest managed by the organised communities, due to an increased sense of forest ownership and the development of local forest institutions with clear responsibilities to look after the forest, including preventing and containing outbreaks of fire.

Based on the analysis of deforestation avoided, it is estimated that around 5.7 million tonnes of carbon dioxide emissions have been avoided between 2012 and 2015. This means we've saved a carbon footprint roughly the same as flying every man, woman and child in Scotland to New York and back. Or the equivalent of almost 15,000 years of watching TV, all day, every day.

Ethiopia has bold and ambitious plans to reverse deforestation and degradation of forests and agricultural landscapes across the country. These efforts have the potential to make a huge contribution to global emissions reduction. Farm Africa's project aims to form the basis of a national REDD+ mechanism for community-based forest management, where these reduced emissions can be converted into carbon credits and sold on international markets, with the revenues being shared on a 60:40 basis between communities and the government. At the current price of $3.80 per tonne of voluntary carbon credits, Ethiopia stands to gain some $21 million in revenue from their sale once finalised. Our experience proves that forest management is most effective when local communities are fully involved, and benefit economically from their stewardship of the precious resources.

SOCIAL IMPACT

As well as environmental and economic impacts, many of our projects are designed to generate broader social impacts, recognising that an individual's wellbeing is driven not just by how much they earn or how secure their natural environment may be. The following example highlights how a Farm Africa project in Ethiopia improved not only women's earning power but also their confidence and contribution to decision-making within their households.

Improved gender equality: Boosting vulnerable women's earning power and status in Ethiopia

Farm Africa's Rural Women's Empowerment Project (RWEP) supported vulnerable women in Oromia and SNNPR regions of Ethiopia to increase their earning power and status, and aimed to reduce violation of women's rights. Implemented between 2009 and 2013, the project had three main components:

- Farm Africa staff helped women in the community organise themselves into groups, lent them small livestock such as sheep and goats, and gave them support to rear them. Each participant was required to pass on two of their livestock's offspring to another woman, so over time more women benefited from the project.
- Village Savings and Loan Associations (VSLAs) brought together groups of women without access to formal financial services to save together and borrow from the savings. In the VSLA model, the accumulated savings and profits are distributed among the members at the end of each year.
- Female community-based legal advisers (CBLAs) were trained to advise women on their legal rights and to provide an alternative means of arbitrating and resolving domestic conflicts.

An evaluation conducted in 2012 found that the project had made a significant difference in terms of improving women's access to credit services and improving their ability to engage in income-generating activities, thus increasing their income and ownership of productive assets, such as livestock. The role of women in important financial decisions at household level was also shown to be improving. Another outcome noted was a significant decline in incidence of female genital mutilation, child marriage and other cultural practices that are harmful to women and girls.[3]

While these findings were encouraging, we wanted to better understand whether the project had had any lasting impacts on the status of women in the target communities and what we could learn for our future work. To support this, we conducted a follow-up evaluation to revisit project communities in 2015.

Improved legal knowledge

We were delighted to have found a reduction in the harmful cultural practices mentioned above, and violence against women. We found that women now have easier access to legal advice from the community-based legal advisers. Women living in the project area, even those who didn't directly take part in the project themselves,[4] were found to have

[3] Report on Mid-Term Evaluation of the Rural Women's Empowerment Project in Four Targeted Woredas of SNNPR region (2012)
[4] A kebele is the smallest administrative unit of Ethiopia, similar to a ward.

significantly more accurate information about legal provisions that protect women; more women are now aware of their rights and claim their share of property during divorce.

Reduced incidence of violence against women

The presence of community-based legal advisers has also had a deterrent effect on acts of violence, especially harmful traditional practices, which are now more difficult to hide from the justice sector. Hence, there have been fewer incidents of violence. People who participated in structured community discussions stressed that harmful traditional practices and violence against women are declining.

About 50% of the community-based legal advisers have been engaged by the government (through Ministry of Social Affairs) to provide support at community level to people that the current network of social workers are unable to reach due to capacity constraints. In some cases, they are elected members of local (*kebele*) government. The Government has set a quota of 30-50% seats for women in local, regional and national political positions, to enhance the participation of women in politics. More women who are actively participating at community level are benefiting from this opportunity. As one community-based legal adviser from SNNPR stated, *"beyond all the work, I can say I have grown as a person and have more confidence and skills than before*".

Increased decision-making

We found that the project had significantly boosted women's empowerment by making them more successful at generating income and savings. Findings from an assessment of women's empowerment found that 41% of women who took part in the project were considered empowered in comparison to only 16% of women who didn't participate in the project. Project participants attributed this result to their increased employment opportunities and increased ability to contribute to household income.

Both women and men in the project areas linked women's increased earning power to their empowerment: 82% of women who took part in the project in Oromia and 91% in SNNPR reported that their decision-making powers had increased as a result of their increased contribution to household income. Rises in women's contributions to household incomes and decision-making were also seen, but to a lesser extent, among women in the area who didn't take part in the project.

Project participants were also found to be more confident in speaking in public and participating in community discussions, as compared to other women in the area. In focus group discussions, one women commented:

"A woman who speaks in public used to be considered as 'a difficult woman'. We now understand that is not true. Not speaking is not a virtue anymore. We are trying to express ourselves more […]"

But we now know that unless you speak, you are just a nobody. There is change now, a very big change. Now, whenever NGOs or government officials come, they ask us questions. They insist that we speak, so we try. We see women who speak up go to places […]".

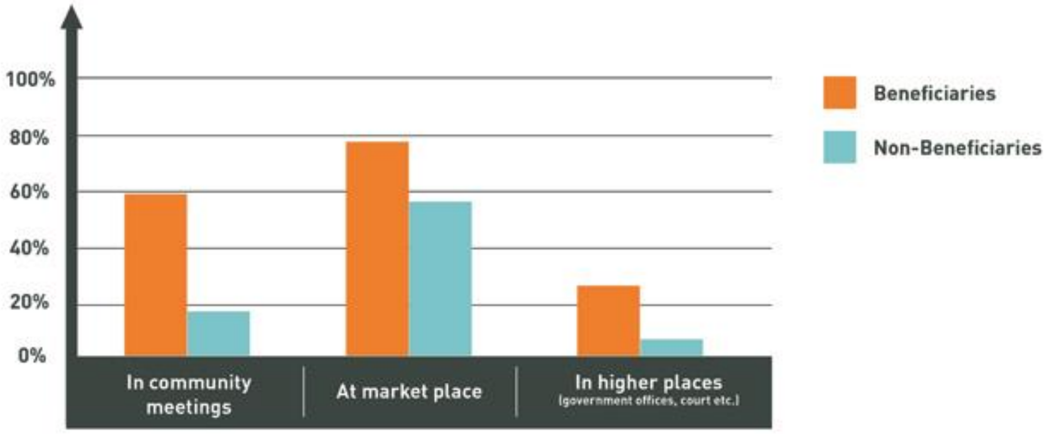


FIGURE 4: Confidence in public speaking, percentage of women agreeing 'I can speak comfortably' (Oromia project area)

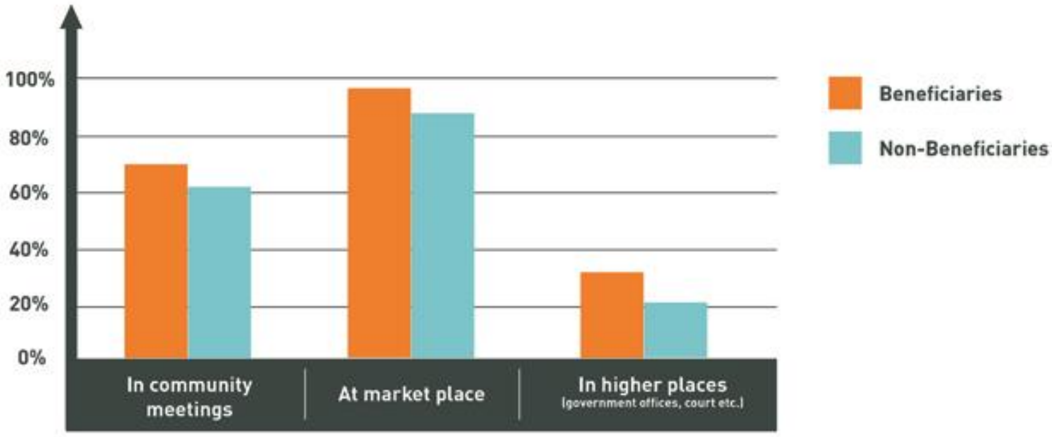


FIGURE 5: Confidence in public speaking, percentage of women agreeing 'I can speak comfortably' (SNNPR project area)

LEARNING AND ADAPTING

In rural development, it is rarely possible to know exactly what approaches will work best in advance. Farm Africa brings together indigenous knowledge and technical expertise to devise solutions that are then developed over time. Most of the examples above demonstrate the success of tried and tested approaches, where we have been able to support target communities over a sustained period – often through multiple phases of a project. This longer term engagement allows us to really get to know a community and to work together to respond to changing circumstances and new knowledge. The following example demonstrates how we applied this adaptive learning approach in 2015 to our work in Kenya's fish farming sector.

Adapting our fish farming approach in Kenya

Fish is a vital source of healthy protein and essential nutrients. Unlike catching wild fish from rivers, lakes or the sea, fish farming offers significant economic benefits without relying on already dwindling natural stocks. The majority (76%) of total Kenyan fish production comes from Lake Victoria[5], but overfishing and pollution have caused fish stocks to plummet, steadily pushing up the price of fish. Without any change in current levels of wild caught fish, we estimate there is likely to be an annual deficit of 10,000 metric tonnes of fish by 2020.

The Government of Kenya has identified fish farming, or aquaculture, as one of the best options to replace declining production from wild fisheries and to meet the growing demand for fish, while creating new economic opportunities for farmers. The national development strategy actively supports the aquaculture sector, aiming to increase fish production by 10% per year.[6]

In 2009, the Government launched its Economic Stimulus Programme (ESP), which promoted an expansion in smallholder aquaculture. An estimated 48,000 ponds were dug nationwide and subsidies were introduced for necessary inputs such as feed and fingerlings (young fish).

The provision of subsidies naturally led to an increase in fish farmers entering the sector, but the lack of commercial providers of quality, affordable inputs coupled with low productivity, limited technical knowledge of fish farm management and lack of business skills has left many farmers unable to make their fish ponds financially viable. Average yields have remained well below the level required to justify investment, resulting in many fish ponds being abandoned.

Higher yields and incomes

Farm Africa has been supporting the aquaculture sector in western Kenya since 2011 and, despite the challenges, our experience shows that fish farming has the potential to be highly profitable and lead to a real step change in terms of farmers' income. A farming household with four ponds can exceed the national poverty line (KES 1,900 per person per month[7]) for a family of five within a year.[8]

Our first 'Aqua Shops' project was launched soon after the Economic Stimulus Programme was introduced, establishing one-stop shops where fish farmers could buy quality inputs and get technical advice. The initial phase supported 12 local entrepreneurs to establish Aqua Shops in four counties in the Lake Victoria Basin. The entrepreneurs successfully filled the gaps in local aquaculture markets, supplying up to 3,000 local fish farmers with good quality and affordable inputs, training on effective fish farming practices and support services, such as pond construction and marketing. In the first two years of the project, yields from fish farmers accessing the Aqua Shops increased by up to 215% and their incomes rose by over 50%.

Encouraged by the findings from this pilot, we designed and launched a new phase of the project, aiming to expand the model to 35 Aqua Shops to test the feasibility of a franchise model at scale. An in-depth feasibility study on the model was commissioned as part of the project.

What we learnt

In 2014 we found strong evidence that demand for fish and fish products would continue to grow. The Kenyan government anticipates that due to population growth and shifts in consumption patterns, annual per capita consumption of fish is likely to increase fourfold

[5] Government of Kenya (2013) Fisheries Annual Statistical Bulletin p.8
[6] Government of Kenya (2007) Vision 2030
[7] Kenya National Bureau of Statistics
[8] Farm Africa Kenya own analysis

(from 2.5kg to 10kg), and that projected demand may reach as much as 161,000 metric tonnes by 2020. Our analysis found that tackling gaps in access to inputs and technical services remains highly relevant for supporting a vibrant aquaculture sector in Kenya. However, it found that standalone Aqua Shops were unlikely to become self-sustaining in the short term. Specific challenges identified included:

- Standalone shops selling only fish farming supplies tended to face cashflow problems, making it difficult to access credit, leading to poorly stocked shops. This limited their ability to build a strong customer base.
- A lack of post-harvest infrastructure (such as harvesting, cleaning or distribution services) made it difficult for fish farmers to reach bigger markets.
- Government subsidised training and inputs had distorted the market, making farmers reluctant to pay for quality fish farming inputs.

Using this learning, we decided to change tack: instead of establishing more standalone Aqua Shops, we would work with existing agro-dealer businesses to introduce or expand their range of aquaculture products and services. This would allow entrepreneurs to benefit from economies of scale and allow farmers who engaged in other agricultural activities alongside fish farming to buy all the supplies they needed for their business in one place.

Current approach and successes

By the end of 2015, we had successfully partnered with 28 agro-dealers to add fish farming stock to their stores, making a total of 56 functioning Aqua Shop outlets. Their total customer base had risen to almost 7,500[9] fish farmers in five counties.

The shop owners have been trained in basic fish farming practices and how to pass on this knowledge to their customers. They also received training in input sales, including on the different types of feed, how and when to apply which kind of feed, and why good quality feed is important. To help ensure the sustainability of the new approach, they have also been trained in business development and encouraged to invest in more opportunities along the fish value chain.

As well as providing fish supplies and farming advice, these shop owners have been acting as wholesalers, taking in the fish that the farmers produce and reselling it to larger buyers. This allows the farmers to access more stable markets by consolidating their small harvests and therefore achieve better prices.

We[10] found that before Farm Africa's project started, farmers harvested less than 550 mature fish per pond. After two years this had increased to 745. This 35% increase has been attributed to improved pond management, including proper feeding, protection from birds and frogs, and cleaner ponds improving the health of the fish. We also found that incomes from fish farming rose by 63%, driven by both higher prices and better quality produce. The ability to use Aqua Shop owners as wholesalers contributed to this.

Next steps

Further analysis found that there is considerable variation in the prices individual fish farmers are achieving. Those with fewer ponds tend to do less well, suggesting there may be a minimum initial investment required to make smallholder aquaculture worthwhile. Moreover, while the new approach has helped to ensure that fish farmers have access to quality inputs

[9] 4,140 male and 3,324 female)
[10] Survey conducted by project team among 367 randomly selected fish farmers in target communities.

and knowledge locally, constraints still exist in ensuring the shop owners themselves can access quality aquaculture inputs reliably.

In 2016 we launched a new project funded by the Dutch Government, building on these lessons. The new Kenya Market-led Aquaculture Programme (KMAP) targets farmers with at least three ponds, and specifically targets feed and fingerling producers as well as input suppliers directly.

PLANS FOR THE FUTURE

As we set out in our 2012 – 2015 strategic plan our aim by 2016 was to directly support 1.5 million people each year and we expect to be able to meet that goal.

We will be publishing our refreshed strategy for 2016 and beyond this summer which will set out our strategic goals in more details. In essence we are looking to increase the impact of the work we do be that by working with more farmers or by continuing to increase the quality of what we do. We will also be seeking to identify a small number of opportunities to influence much more widely.

We will also be setting specific objectives around key building blocks: talent, funds, relationships, impact & evidence, learning & sharing and data, digital and tech.

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 against these 2015 targets.

Programmes

- Raise £14 million of new contracted funding.
- Review our work in livestock, agriculture and nutrition, gender and youth to set the strategy for 2016 and beyond.
- Increase our use of beneficiary feedback and gender analysis in project design.
- Scale up our market engagement work, especially MAEF.

Despite a growing number of negotiated bids, many of a considerable size, with a much wider range of donors than in recent years we only succeeded in signing contracts for £4 million of new funding, significantly below our target. This is reflective of both the difficult market and the length of time it can take between submitting a proposal and signing a final contract. The positive news is that we signed in excess of £10 million of funding contracts in the first few months of 2016, demonstrating that this was primarily an issue of timing and increasing our confidence in our ability to achieve our 2016 target of £15 million.

We have also made progress with our other programmatic objectives. We continue to focus on our market engagement work. Our DFID funded work with pastoralists in lowland Ethiopia is an excellent example of this. In 2015, to help address the extreme shortages of water and pasture arising from the severe drought, we supported businesses to process sugar cane by-products as an additional cheap animal feed.

Beneficiary feedback from previous projects is now forming an important element of our project design work. A formal community consultation informed the design of our project looking at non-timber forest products which we were successful in securing funding for at the end of 2015.

We undertook reviews of our work in livestock, agriculture and nutrition, gender and youth as part of the strategy refresh.

DFID is an important funder of our work both directly and through the strategic funding, the programme partnership arrangement grant. We were delighted when it was announced that this funding stream would be extended by nine months to 31 December 2016. We took an active part in the civil society review which took place in the latter part of 2015 and are looking forward to hearing what approach to funding civil society DFID will take next.

In 2016, we aim to:

- Raise £15 million of new contracted income
- Strengthen our geographical footprint with a particular focus on Uganda
- Deepen Farm Africa's technical expertise across key areas of agriculture, natural resource management and market engagement

Outcomes and impact

- Develop a small number of indicators for use across all programme activity together with simple tools for ensuring collection of quality data to support this.
- Explicitly include learning from project evaluations into programme design.

Our progress in this area is most effectively summarised on pages 15 to 19 which for the first time summarises the impact of our work and includes an example of how we explicitly include learning from earlier project evaluations into our project design. Work on the indicators forms part of the work on the strategy refresh to be published later in the year.

In 2016, we aim to:

- Maintain our position as one of the leaders in this area by publishing our first ever annual impact report
- Increase the use of structured community feedback mechanisms to continue to improve the impact of our work

Relationships

- Demonstrate excellence in delivering new complex partnerships.
- Build increased private sector partnerships for programme growth.

We continue to build our relationships, recognising that we need to work with a variety of partners, including those in the private sector, to achieve the greatest impact for farmers. As an example we are working with Nyala Insurance in Ethiopia to develop micro insurance products for livestock keepers in Afar.

In 2016, we aim to:

- Engage more effectively across our relationship base.

Research and development

- Further disseminate our learning including joint workshops with major funders on private sector and consortium working and the publication of four technical content papers.

The appointment of a director of research and development during the year has helped bring together our thematic experts into a cohesive team providing critical input throughout the programme cycle from design, through delivery to evaluation and then dissemination of results. We have published key technical reports on participatory forest management, strengthening first mile businesses and the impact of ICT alongside a number of fact sheets describing individual projects. All of these are available on our website. We have also launched a breakfast briefing series on subjects as varied as aquaculture, COP21 and forestry.

In 2016, we aim to:

- Continue to disseminate our learning through a minimum of four “roadshows”.
- Develop a fully integrated research function and strengthen Farm Africa’s engagement in research and innovation

External relations

- Raise £2.7 million in unrestricted funding.
- Increase technical content and impact data on all communications channels.

As noted in the financial review, we raised £2.8 million of unrestricted funding, despite an extremely difficult external environment which has impacted our public fundraising. We also held a successful online fundraising trial as part of #GivingTuesday which has provided valuable learning as we invest in this important method of public fundraising in future.

As noted above, we are delighted to have increased the level of technical content on our website and are regularly sharing this on social media. We took the opportunity to launch one of our technical papers “*Strengthening the first mile: enabling small and medium agribusinesses to unlock development in Tanzania, Uganda and Kenya*” at our 30th birthday celebrations in Kenya which was extremely well received by the audience there.

In 2016, we aim to:

- Scale up our digital fundraising activity.
- Empower all our staff to talk confidently and appropriately about Farm Africa and our work

Corporate organisation and culture

- Improve knowledge management tools for increased organisational learning.
- Continue to invest in leadership development across the organisation.
- Increase staff levels of identification with the Farm Africa values, particularly sharing knowledge and being experts in our field.

Our organisational culture is important enabler to delivering our organisational goals. We have continued to invest in leadership development in particular as a key route to maintain a productive culture. 2015 saw the second cohort of employees complete our programme, which is built around Farm Africa’s values. This year the programme focused on our African staff and has led to increased cross-country co-operation and understanding. We have also launched our values toolkit to help facilitate project team discussions around the values and support other processes such as recruitment.

In 2016, we aim to:

- Increase ownership of learning & sharing with a focus on cross-organisational learning activities including leadership development, management training and expertise in certain technical areas

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.

Our key risks and uncertainties are:

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

We manage these risks by:

- The external environment in which Farm Africa works is inherently risky. The security situation in some areas we operate in is difficult and NGO regulation in our countries of operation is increasing. Farm Africa ensures that staff safety is paramount by producing country-specific security plans and by ensuring that all staff complete a risk reduction form before travelling. Any emerging issues with staff safety or the operating environment are addressed in the crisis management plan, which sets out strict protocols for staff and management. Farm Africa seeks to manage the remaining 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 provides additional support for the trustees in considering the effectiveness of the controls. In 2015, we have focused efforts on leadership and other development to help improve succession planning and have seen a number of internal promotions.

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. In early 2016 we reviewed and extended the terms of reference of our programmes advisory committee to increase their oversight role.

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 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 objectives.

The trustees have therefore satisfied themselves that Farm Africa meets the public benefit requirements and they confirm that they have given due consideration to the charity commission's published guidance on the public benefit requirement under the charities act 2011 and the specific guidance on the prevention or relief of poverty for the public benefit where applicable.

FINANCES

OVERVIEW

2015 saw our overall income fall to £12.1 million (2014: £13.8 million). This was primarily due to timing of a small number of large grant receipts in 2014 and we expect income to increase in 2016. We have, however, been able to maintain our expenditure on charitable activities at £11.1 million (2014: £11.1 million) by spending down some of the restricted income received in previous years. During 2015, we have increased our unrestricted general funds (from £0.7 million to £1.2 million, which is at a level broadly in line with our reserves policy. This increased level of unrestricted reserves will be important to manage the transitional period following the end of the DFID PPA funding in 2016.

The results consolidate those of our subsidiary undertakings; Sidai Africa (Kenya) Limited, Sidai Africa Limited and Farm Africa Trading Limited.

INCOME

Total income has fallen by £1.7 million to £12.1 million (2014: £13.8 million).

The fall in income relates to restricted project income which fell from £6.5 million in 2014 to £4.7 million in 2015. Our project income, which is principally income from our government, institutional and other major donors, is often received as a small number of large payments and can result in fluctuations in this income stream. In 2014, we had restricted reserves of £2.9 million all of which represented project income received in advance of expenditure being made. We have been pleased to secure £10 million of new multi-year funding contracts in the first few months of 2016 which should drive an increase in this income stream this year.

In 2014 we received five quarterly PPA payments representing an additional £0.8 million of income than we received in 2015. However, this has been offset by an increase in general income from donations and legacies from £2.1 million to £2.5 million. This together with an increase in trading income in Sidai has resulted in a small increase to our unrestricted income. The graph above demonstrates how unrestricted income has grown over the last five years.

EXPENDITURE

Our total expenditure has **fallen by £0.3 million to £12.7 million** (2014: £13.0 million). Expenditure on charitable activities has been maintained at £11.1 million (2014: £11.1 million). Expenditure on raising funds has been reduced from £1.9 million in 2014 to £1.6 million in 2015. As a result the percentage of our expenditure spent on charitable activities has increased from 83% to 88% of expenditure.

SIDAI

Sidai Africa (Kenya) continued to grow in 2015 with turnover increasing from 174 million ksh in 2014 to 224 million ksh in 2015. The company also continued to receive and spend grant funding from USAID. The loss after all expenditure was 121 million ksh (2014: 72 million ksh). Sidai Africa, the holding company, made a loss of £96,000 (2014: £nil). The Sidai group is expected to continue to make a loss in the short term whilst it becomes fully established. We were delighted to have negotiated an investment by the Adolf H Lundin foundation of $800,000 in return for 16% of the share capital in the Sidai group. This funding provides an important injection of funding to enable further expansion and continue Sidai on the path to being financially sustainable. The investment created an 'accounting profit' on disposal of £389,000.

In addition to this Lundin have offered a further $1million loan facility, the second tranche of this was drawn down in 2015.

RESERVES

Overall we generated **a deficit of £0.5 million** which was due to timing of restricted grant income as mentioned above.

As at 31 December 2015, £1.1 million (2014: £1.2 million) of our unrestricted funds are designated, **of which £0.6 million (2014: £0.5 million) represents** funds received from the PPA in advance of that expected which we plan to invest in our programme priorities and organisational enablers during 2016, and **£0.5 million (2014: £0.7 million) relates to unrestricted funds held in Sidai** which will be used for the ongoing growth of that programme.

The parent company's remaining unrestricted funds have increased to £1.2 million (2014: £0.7 million). The parent company's **restricted reserves of £3.2 million** include an amount of £0.6 million representing the programme related investment made into Sidai Africa.

In summary, we begin 2016 in a good financial position with the reserves necessary to support the delivery of our goals for 2016 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,

- 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 measures:

- income risk: an assessment of the percentage risk in each unrestricted income stream, including forecast hub recovery and co-funding (this year the risk factors range from 5% to 30%), and
- programmatic expenditure: an assessment of the unplanned unrestricted expenditure needs being calculated as 5% - 7% of projected restricted expenditure

These measures imply an unrestricted reserves target at **31 December 2015 in the region of £1.3 million.** This compares to an actual figure of unrestricted general funds, excluding those designated as enabler spend, **of £1.2 million**. As noted above, we received our quarterly payment of PPA funds earlier than anticipated and hence we have designated these for spending in 2016.

We have commented earlier in the report that our PPA funding arrangement is due to come to an end at 31 December 2016 and at the time of writing DFID have given no indication of whether similar funding may be made available after that date. The trustees are comfortable that overall unrestricted reserves (including amounts designated for enabler spend, but excluding those relating to Sidai) are appropriate to manage the transition period.

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.

INVESTMENT POLICY

Farm Africa has an agreed investment policy covering both programme related investments (covered in the section on governance and organisational structure) and assets held to fund planned expenditure.

As the majority of Farm Africa's funds are held to support planned expenditure capital volatility cannot be tolerated and therefore assets held to fund planned expenditure are kept as cash, invested to obtain a yield where possible. The cash is spread by counterparty and is subject to a maximum exposure of 30% or £400,000 (whichever is the lower) of the cash balance by institution.

Farm Africa will consider making an investment in a subsidiary undertaking, such as Sidai Africa, as an alternative to direct grant funding. Such programme related investments are considered by the board on a case by case basis and kept under regular review. The expected financial return and the time horizon associated with such investments are also determined by the board. Further detail on the performance of these investments is given in the section on Sidai Africa above.

GRANT MAKING POLICY

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

Where Farm Africa is acting as lead partner in a consortium, Farm Africa may also grant funds to other consortium members. The associated reporting and other requirements are determined by the lead contract. Before working with any partner, Farm Africa will complete a partnership risk process. This helps identify how working with such an organisation will help contribute to Farm Africa's own aims and objectives.

REMUNERATION POLICY

As a charity with annual audited accounts, Farm Africa has already for many years published the number of staff whose remuneration is £60,000 or more, in salary bands of £10,000 as required by current legislation. This information is clearly available in note 10 'Employees' of our annual report and accounts. During his period of office in 2015, our chief executive, Nigel Harris's annual salary was set at £89,950.

Farm Africa is an ambitious organisation determined to reach as many smallholder farmers and their families as we possibly can. We cannot and do not compete with salaries in the private sector but our salaries are pitched at a level to allow us to attract effective, energetic and innovative leaders who will enable us to increase our impact and achieve our vision of a prosperous rural Africa.

Farm Africa has a projected annual budget of over £16 million for 2016, has a track record of world class technical expertise and delivery and has around 200 staff internationally.

Farm Africa aims to pay around the median level for a charity of our size; for this purpose we benchmark all salaries in the UK and internationally annually against sector specific salary surveys and cross reference them against local cost of living indices. The finance remuneration and audit committee (FRAC) uses this data to review and fix annual senior salary increases. We believe that our senior salaries paid as a result of this process are a proper reflection of the skills, knowledge and experience required to run an organisation like ours.

VOLUNTEERS

Farm Africa receives some fantastic support from volunteers in a number of core areas including:

- our volunteer speaker network of 92 people, who regularly talk to schools and community groups about our work
- our committed volunteer fundraisers
- providing expertise to support a variety of initiatives such as undertaking internal audits, helping with our leadership development programme, website maintenance or data analysis
- support for the programmes team by individuals completing a masters with Kings College

We are grateful for their ongoing support which helps us to deliver more that we would otherwise with the money we have available.

GOVERNANCE AND ORGANISATIONAL 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.

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

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 2015, Farm Africa had two active subsidiaries:

- Sidai Africa Limited (formerly Farm Africa Enterprises Limited), which acted as an investment holding company for Sidai Africa Kenya Limited (formerly 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.

The detailed results for our active subsidiaries are shown in note 12. Farm Africa Trading made a profit for the year before gift aid of £89,000 (2014: loss of £31,000). Details on Sidai Africa's group performance is given in the financial review above.

CHANGE OF NAME

On 11 August 2015 the charity changed its name from Food and Agricultural Research Management Limited to Farm Africa Limited reflecting the name by which the charity is widely known.

OFFICERS AND ADVISORS

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

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.

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.

FRAC meets regularly under the chairmanship of John Shaw, 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 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 directors 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 2015 under the chairmanship of Professor Jonathan Kydd. PAC normally comprises at least two trustee members and external members from a wide range of disciplines. Terms of reference are 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 and chief operating officer as non-voting members of the committee. The committee takes responsibility for identifying and proposing new board members and for their induction, support and development.

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 **23 June 2016.**

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 Farm Africa Limited on 27 May 2016 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 Farm Africa Limited

We have audited the financial statements of Farm Africa Limited for the year ended 31 December 2015 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Statement of Cashflows and the related notes numbered 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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 2015 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 FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 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.

Naziar Hashemi

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

Date: 31/05/16

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating income & expenditure account) for the year ended 31 December 2015

		2015			2014 (as restated)		
	Note	**Unrestricted funds £'000**	**Restricted funds £'000**	**Total funds £'000**	Unrestricted Funds £'000	Restricted Funds £'000	Total funds £'000
INCOME FROM							
Donations and legacies	2	**5,639**	**8**	**5,647**	6,000	37	6,037
Charitable activities							
General		**-**	**4,672**	**4,672**	-	6,353	6,353
Social enterprise trading income		**1,645**	**-**	**1,645**	1,289	-	1,290
Total income from charitable activities	3	**1,645**	**4,672**	**6,317**	1,289	6,353	7,642
Other trading activities	4	**151**	**-**	**151**	34	-	34
Investments	4	**6**	**-**	**6**	8	-	8
Other income	4	**-**	**24**	**24**	-	63	63
Total income		**7,441**	**4,704**	**12,145**	7,331	6,453	13,784
EXPENDITURE ON							
Raising funds	6	**1,553**	**-**	**1,553**	1,867	-	1,867
Charitable activities							
Building income & food security							
Social enterprise		**2,203**	**389**	**2,592**	514	2,056	2,569
Programme activities		**2,142**	**3,487**	**5,629**	2,197	3,021	5,218
Natural resource management		**1,553**	**1,356**	**2,909**	1,821	1,482	3,303
Total expenditure on charitable activities	7	**5,898**	**5,232**	**11,130**	4,532	6,560	11,090
Total costs		**7,451**	**5,232**	**12,683**	6,397	6,560	12,957
Net income/ (expenditure) for the year	5	**(10)**	**(528)**	**(538)**	934	(107)	827
(Surplus)/ deficit attributable to the minority	18	**(27)**	**83**	**56**	-	-	-
(Surplus)/ deficit attributable to the parent		**(37)**	**(445)**	**(482)**	934	(107)	827
Other recognised gains and losses							
Profit on partial disposal of subsidiary	18	**453**	**(64)**	**389**	-	-	-
Exchange differences on revaluation of subsidiary	18	**(46)**	**(9)**	**(55)**	-	-	-
Transfers between funds					(186)	186	-
Net movements on funds		**370**	**(518)**	**(148)**	748	79	827
Total funds brought forward		**1,918**	**2,946**	**4,864**	1,170	2,867	4,037
Total funds carried forward	19	**2,288**	**2,428**	**4,716**	1,918	2,946	4,864

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 38 to 51 form an integral part of these financial statements.

CONSOLIDATED & CHARITY BALANCE SHEETS

As at 31 December 2015

	Notes	2015 Group £'000	2015 Charity £'000	2014 Group £'000	2014 Charity £'000
FIXED ASSETS					
Tangible assets	11	**316**	**56**	285	86
Investments (social)	12	**-**	**629**	-	629
		316	**685**	285	715
CURRENT ASSETS					
Stock: goods for resale		**542**	**-**	437	-
Debtors	13	**2,203**	**2,268**	1,265	1,156
Cash at bank and in hand		**3,205**	**2,462**	3,625	2,955
Short term deposits		**589**	**589**	684	684
		6,539	**5,319**	6,011	4,795
Creditors					
Amounts falling due within one year	14	**(1,407)**	**(862)**	(978)	(689)
Net current assets		**5,132**	**4,457**	5,033	4,106
Total assets less current liabilities		**5,448**	**5,142**	5,318	4,821
Creditors: amounts falling due in more than one year	15	**(478)**	**-**	(256)	-
Provisions for liabilities and charges	16	**(180)**	**(180)**	(198)	(198)
NET ASSETS		**4,790**	**4,962**	4,864	4,623
Net assets attributable to the minority interest	18	**(74)**		-	
		4,716		4,864	
FUNDS					
Restricted funds	19	**2,428**	**3,160**	2,946	3,337
Unrestricted funds	19				
- General funds		**1,242**	**1,242**	717	749
- Designated funds (enabler spend)		**560**	**560**	537	537
- Designated funds (Sidai)		**486**	**-**	664	-
TOTAL FUNDS	19	**4,716**	**4,962**	**4,864**	**4,623**

Approved by the board and authorised for issue on 27 May 2016 and signed on their behalf by:

Richard Macdonald
Chairman

John Shaw
Treasurer

Registered Company No: 01926828

The notes on pages 38 to 51 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Net cash provided by / (used in) operating activities	A	**(1,088)**	987
Returns on investments and servicing of finance			
Deposit interest received		**6**	8
Capital expenditure and financial investment			
Disposal of tangible fixed assets		**16**	-
Purchase of tangible fixed assets		**(190)**	(32)
Part disposal of subsidiary undertaking	18	**519**	-
Financing			
Increase / (decrease) in borrowings		**222**	256
Increase/ decrease in cash		**(515)**	1,219
(Increase) / decrease in borrowings		(222)	(256)
Exchange movements		-	-
Changes in net cash		**(737)**	**963**
Net funds at 1 January		4,053	3,090
Net funds at 31 December		**3,316**	4,053

NOTES TO THE STATEMENT OF CASHFLOWS

A. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	2015 £'000	2014 £'000
Net (income)/expenditure for the reporting period	**(538)**	827
Depreciation	**99**	84
(Profit) on the disposal of fixed assets	**(11)**	-
(Increase) in debtors	**(938)**	(273)
Increase in creditors falling due within one year	**429**	207
(Decrease)/increase in provisions	**(18)**	79
(Increase)/decrease in stocks	**(105)**	71
Investment income	**(6)**	(8)
Net cash provided by / (used in) operating activities	**(1,088)**	987

B. ANALYSIS OF CHANGES IN NET DEBT	2015 £'000	2014 £'000
Short term deposits held in UK	**589**	684
Cash at bank and in hand in the UK and overseas	**3,205**	3,625
Debt due after one year	**(478)**	(256)
	3,316	4,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The charity is a private limited company (registered number 1926828) which is incorporated and domiciled in the UK. The address of the registered office is 9th floor, Bastion House, 140 London Wall, LONDON, EC2Y 5DN. The charity is a public benefit entity. More detail on how the trustees have satisfied themselves that Farm Africa has met the public benefit requirements is given in the trustees report on pages 25 to 26.

a) Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention and in accordance with the charities SORP (FRS102), 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 28. There are no material uncertainties about the charity's ability to continue as a going concern.

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS102 and the Charities SORP (FRS102) any restatement of comparative items was required. Governance costs of £68,000 in 2014 have been adjusted to form part of the support costs and allocated to the relevant costs on the basis of activity. Expenditure on raising funds has increased by £13,000 and expenditure on charitable activities by £55,000. Total expenditure for 2014 remains unchanged. No other restatements were required.

The results and balance sheet of the charitable company's subsidiaries have been consolidated using the acquisition method of accounting and minority interest is shown as a separate line in the financial statements. The results of subsidiary undertakings are included from the date of acquisition. The charity has taken advantage of the exemptions in FRS 102 from the requirements to present a charity only Cash Flow Statement and certain disclosures about the charity's financial instruments.

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 surplus of the charitable company was £339,000 (2014: £1,136,000).

b) Key areas of estimation uncertainty

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

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

In the view of the trustees, no assumptions concerning the future or estimation uncertainly affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

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, and
- unrestricted funds: designated – these are funds which the trustees have designated for a particular use.

d) Income

Income, including donations, gifts and legacies, gifts in kind and grants are recognised where there is entitlement. In respect of legacy income we consider entitlement to be the earlier of finalised estate accounts or receipt of the income. Tax recovered from income received under gift aid is recognised when the related income is recognised and is allocated to the income category to which the income relates. Where income is received in advance of the point of recognition it is deferred.

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. No amount has been included in the financial statements for services donated by volunteers. An estimate of the value of volunteer contribution is given in the trustees report.

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 other trading activities 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.

For all other sources of income, entitlement is assumed to be when cash is received.

e) Expenditure

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

Expenditure on charitable activities 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. These costs include salaries and associated employment costs including pensions and any termination payments required.

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.

Expenditure on raising 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.

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

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

The functional currency of Farm Africa is considered to be pounds sterling because that is the currency of the primary economic environment in which the group operates. The consolidated financial statements are presented in pounds sterling.

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. This policy is employed as ownership of the property does not always pass to Farm Africa upon project completion. The initial cost of fixed assets purchased within the last four years and presently employed in current projects is referred to in note 11.

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.

j) Stock: goods for resale

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

k) Provisions

Provisions are recognised when Farm Africa has a present legal or constructive obligation arising as a result of a past event, it is probably that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

l) Financial instruments

Farm Africa has financial assets and liabilities of a kind that qualify as basic financial instruments. Financial assets comprise cash at bank and in hand, short term deposits, trade and other debtors. Financial liabilities include trade and other creditors and loans. Basic financial instruments are recognised at transaction value. Details and carrying value of these financial assets and liabilities are given in notes 12, 13, 14, 15 and 16.

Investments in subsidiary undertakings are held at cost net of any provision for impairment.

2. INCOME FROM DONATIONS AND LEGACIES

	Unrestricted funds 2015 £'000	**Restricted funds 2015 £'000**	**Total funds 2015 £'000**	Total funds 2014 £'000
General				
Committed giving	**622**	**-**	**622**	614
Appeals and donations	**842**	**8**	**850**	920
Legacies (note 25)	**502**	**-**	**502**	162
Fundraising events	**285**	**-**	**285**	309
Corporate donations	**103**	**-**	**103**	31
Gifts in kind: donated services	**151**	**-**	**151**	94
	2,505	**8**	**2,513**	2,130
Grants				
DFID programme partnership arrangement	**3,078**	**-**	**3,078**	3,848
Trusts and foundations	**56**	**-**	**56**	59
	3,124	**-**	**3,134**	3,907
Total donations and legacies	**5,639**	**-**	**5,647**	6,037

3. INCOME FROM CHARITABLE ACTIVITIES:

Grants from government, institutional & other similar donors	**Restricted 2015 £'000**	Restricted 2014 £'000
Adeso	**44**	875
AGRA	**-**	107
Barr Foundation	**266**	185
Bill & Melinda Gates Foundation	**102**	415
Big Lottery Fund ICA/2/0010226025	**-**	9
Big Lottery Fund ICB/2/010438249	**260**	142
CARE Ethiopia	**65**	81
Comic Relief	**492**	-
Cordaid	**-**	107
European Union	**1,749**	2,100

Embassy of Ireland to Ethiopia	**-**	160
Food and Agricultural Organisation of the United Nations	**50**	102
Georg and Emily von Opel Foundation	**-**	185
Guernsey Overseas Aid Commission	**-**	40
Jersey Overseas Aid Commission	**76**	-
Lundin for Africa	**-**	193
Medicor Foundation	**63**	116
Red Een Kind	**81**	-
Royal Norwegian Embassy	**225**	253
Small Foundation	**-**	158
The Ford Foundation	**93**	134
The Melbreak Trust	**-**	80
The Rockefeller Foundation	**118**	-
UK aid from the Department of International Development – Building resilience & food secure households in Tigray	**105**	43
UK aid from the Department of International Development - BRACED	**589**	260
Other international agencies and other donors	**294**	608
	4,672	6,353

4. OTHER INCOME

	Unrestricted funds 2015 £'000	**Restricted funds 2015 £'000**	**Total funds 2015 £'000**	Total funds 2014 £'000
Other trading activities				
Community fundraising	**-**	**-**	**-**	2
Trading	**151**	**-**	**151**	32
	151	**-**	**151**	34
Investment income				
Deposit interest	**6**	**-**	**6**	8
	6	**-**	**6**	8
Other income				
Profit on sale of fixed assets	**-**	**24**	**24**	63
	-	**24**	**24**	63
	157	**24**	**181**	105

5. NET INCOME FOR THE YEAR

	Total 2015 £'000	Total 2014 £'000
This is stated after charging		
Depreciation	**99**	84
Payments under operating leases	**96**	76
Auditor's remuneration:		
Charitable company	**28**	27
Subsidiary companies`	**3**	3

One trustee was reimbursed £3,000 (2014: £1,000) in travel expenses incurred on behalf of the organisation and £nil travel costs were paid directly to suppliers (2014:£10,000 paid to suppliers for seven trustees' travel costs). These costs were mainly in respect of board meetings held in Kenya. The cost incurred by the charity for the trustee indemnity insurance was £1,000 in 2015 (2014: £1,000).

6. EXPENDITURE ON RAISING FUNDS

	2015 £'000	(as restated) 2014 £'000
Donations and legacies		
Fundraising costs	**1,323**	1,597
Support costs allocated (note 9)	**116**	153
	1,439	1,750
Charitable activities		
Fundraising costs	**56**	56
Support costs allocated (note 9)	**6**	7
	62	63
Other trading activities		
Fundraising costs	**48**	49
Support costs allocated (note 9)	**4**	5
	52	54
	1,553	1,867

7. EXPENDITURE ON CHARITABLE ACTIVITIES

	Operational programmes £'000	Grants payable £'000	Support costs* £'000 (note 9)	Total 2015 £'000	(as restated) Total 2014 £'000
Building income and food security					
Social enterprises	**2,592**	**-**	**-**	**2,592**	2,569
Programme activities	**3,274**	**1,653**	**701**	**5,629**	5,218
	5,866	**1,653**	**701**	**8,221**	7,787
Natural resource management	**1,578**	**1,078**	**253**	**2,909**	3,303
	7,444	**2,731**	**954**	**11,130**	11,090

* 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

	2015 £000	2014 £000
Europe		
Self Help Africa	**1,425**	1,810
Frankfurt Zoological Society	**168**	369
Mercy Corp	**276**	82
Ethiopia		
SOS Sahel	**217**	463
PHE Ethiopia Consortium	**-**	43

International Water Management Institute	**86**	118
Kenya		
Maendeleo Agricultural Enterprise Fund	**364**	337
Tanzania		
Cosita	**52**	-
Inades	**86**	-
Mviwata	**6**	-
Truefood	**51**	-
	2,731	3,222

Grants were payable during the year to partners working on restricted projects. At year end there were no payments outstanding.

The payments under our Mandeleo Agricultural Enteprise Fund were made to the following organisations across Kenya, Uganda & Tanzania: National Crops Resources Institute, Private Sector Development and Consultancy Centre, Volunteer Efforts for Development Concerns, Tense Senses Africa Ltd, Ideal Matunda Ltd, Mwailu Enterprises Ltd, Kitui Development Centre, Kenya Agricultural Research Institute, DORT Africa, HOMEVEG Tanzania Ltd and Equatorial Blooms Kenya Ltd.

9. ANALYSIS OF SUPPORT COSTS

	Mgt costs £'000	**Office costs £'000**	**Finance & IT £'000**	**HR costs £'000**	**Gov costs £'000**	**Total 2015 £'000**	Total 2014 £'000
Charitable activities							
Building income and food security							
Social enterprise	**-**	**-**	**-**	**-**	**-**	**-**	15
Programme activities	**95**	**217**	**242**	**117**	**30**	**701**	451
Natural resource management	**34**	**78**	**88**	**42**	**11**	**253**	285
	129	**295**	**330**	**159**	**41**	**954**	751
Expenditure on raising funds							
Donations and legacies	**16**	**36**	**40**	**19**	**5**	**116**	153
Charitable activities	**1**	**2**	**2**	**1**	**-**	**6**	7
Other trading activities	**1**	**1**	**1**	**1**	**-**	**4**	5
	18	**39**	**43**	**21**	**5**	**126**	165
	147	**334**	**373**	**180**	**46**	**1,080**	916

Support costs allocated are UK costs only. They have been apportioned proportionally to activity. Overseas office costs have been directly attributed to the costs of delivering charitable activities in country.

10. EMPLOYEES

	2015 £'000	2014 £'000
Staff costs		
Wages and salaries (including life assurance)		
Overseas contracted staff	**2,389**	2,072
UK contracted staff	**1,640**	1,434
	4,029	3,506
Social security costs	**154**	155
Pension costs	**71**	82
	4,254	3,743

Wages and salaries includes £28,000 (2014: £29,000) of redundancy and termination payments which are paid out in accordance with our redundancy policy and the legal requirements of each country we work in.

The key management personnel of the charitable company comprise the chief executive, the chief operating officer, director of external relations, director of research & development, director of programmes and country directors. The total employee benefits paid to these individuals was £485,000 (2014: £318,000).

	2015	2014
	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	**2**	-
Employees with remuneration in the range of £80,000 to £90,000	**2**	2

Farm Africa paid contributions of £37,000 (2014: £26,000) into a defined contribution pension scheme for the 7 (2014: 5) higher paid employees in the year.

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

	2015	2014
	No.	No.
Overseas contracted staff	**174**	183
UK contracted staff:		
Fundraising and communications	**21**	20
Programmes support	**12**	11
Management and administration of charity	**12**	9
	219	223

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

Farm Africa makes contributions for its employees to various defined contribution schemes. The amount of contributions to due to these schemes at the year end 31 December 2015 was £9,000 (2014: £2,000).

11. TANGIBLE FIXED ASSETS

Group

	Leasehold Improvements £'000	Vehicles £'000	Machinery & Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2015	82	199	160	121	562
Exchange differences	(5)	(10)	(12)	(35)	(62)
Additions	44	-	56	90	190
Disposals	-	(16)	-	-	(16)
At 31 December 2015	**121**	**173**	**204**	**176**	**674**
Depreciation					
At 1 January 2015	(35)	(104)	(55)	(83)	(277)
Exchange differences	-	-	5	2	7
Charge for the year	(19)	(22)	(21)	(37)	(99)
Disposals	-	11	-	-	11
At 31 December 2015	**(54)**	**(115)**	**(71)**	**(118)**	**(358)**
Net book value					
At 31 December 2015	**67**	**58**	**133**	**58**	**316**
At 31 December 2014	47	95	105	35	285

Charity

	Leasehold Improvements £'000	Vehicles £'000	Machinery & Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2015	82	-	40	88	210
Additions	-	-	-	4	4
At 31 December 2015	**82**	**-**	**40**	**92**	**214**
Depreciation					
At 1 January 2015	(35)	-	(23)	(66)	(124)
Charge for the year	(15)	-	(7)	(12)	(34)
At 31 December 2015	**(50)**	**-**	**(30)**	**(78)**	**(158)**
Net book value					
At 31 December 2015	**32**	**-**	**10**	**14**	**56**
At 31 December 2014	47	-	17	22	86

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 £1,080,946 (2014: £1,714,000). The accounting policy relating to fixed assets is referred to in note 1(i).

12. INVESTMENTS

	Investment in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2015 & 31 December 2015	629

Company	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Farm Africa Trading Limited (company number: 7398449)	UK	100% owned by Farm Africa	Trading activities
Farm Africa Enterprises Limited (company number: 9359340)	UK	100% owned by Farm Africa	Holding company
Sidai Africa Limited (formerly Farm Africa Enterprises Limited) (company number: 7401522)	UK	84% owned by Farm Africa	Holding company
Farm Africa Intellectual Property Limited (company number: 7401279)	UK	100% owned by Farm Africa	IP and registered trade marks
Sidai Africa (Kenya) Limited (formerly Sidai Africa Limited)	Kenya	279,599 shares owned by Sidai Africa & 1 share owned by Farm Africa	Provision of veterinary services

On 13 February 2015, Farm Africa instituted a group reconstruction exchanging its shares in Sidai Africa Limited for shares in Farm Africa Enterprises Limited. At this point Farm Africa Enterprises Limited became the 100% owner of Sidai Africa Limited. Farm Africa Intellectual Property Limited and Farm Africa Enterprises did not trade during the year.

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

	Sidai Africa (Kenya) Limited		**Sidai Africa Limited**		**Farm Africa Trading Limited**	
	2015	**2014**	**2015**	2014	**2015**	**2014**
	£'000	£'000	**£'000**	£'000	**£'000**	**£'000**
Total incoming resources	**1,688**	2,164	-	-	**153**	**32**
Total resources expended	**(2,496)**	(2,139)	(96)	-	**(121)**	**(64)**
Retained surplus/(deficit) for the year	**(808)**	25	(96)	-	**32**	**(31)**
Total assets	**1,172**	1,078	1,148	629	**222**	**80**
Total liabilities	**(1,022)**	(210)	(96)	-	**(222)**	**(111)**
	150	868	1,052	629	**-**	**(31)**

13. DEBTORS

	2015 Group £'000	**2015 Charity £'000**	2014 Group £'000	2014 Charity £'000
Amounts owed by subsidiary undertakings	**-**	**329**	-	117
Trade debtors	**164**	**24**	108	36
Other debtors	**276**	**167**	168	103
Prepayments	**42**	**42**	124	92
Accrued income – other	**31**	**16**	35	20
Accrued income – project grants	**1,690**	**1,690**	830	788
	2,203	**2,268**	1,265	1,156

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 Group £'000	**2015 Charity £'000**	2014 Group £'000	2014 Charity £'000
Trade creditors	**402**	**101**	214	47
Deferred income	**411**	**411**	-	-
Other creditors and accruals	**439**	**292**	352	230
Loan from Adolf H. Lundin Charitable Foundation	**97**	**-**	-	-
Grant obligations	**-**	**-**	366	366
Other tax and social security costs	**58**	**58**	46	46
	1,407	**862**	978	689

15. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2015 Group £'000	**2015 Charity £'000**	2014 Group £'000	2014 Charity £'000
Loan from the Adolf H. Lundin Charitable foundation to Sidai Kenya Limited	**478**	**-**	256	-

The above loan represents the first and second tranches of draw down from a 5 year $1m loan facility signed in October 2014. The repayment shall be paid on a half yearly basis, with the first repayment instalment to be paid on the date which is six months following the drawdown end date. The loan accrues interest at a rate of 7% per annum.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Group £'000	**Charity £'000**
At 1 January 2015	198	198
Amount released to the statement of financial activities	(122)	(122)
Amount charged to the statement of financial activities	104	104
As at 31 December 2015	**180**	**180**

Provisions include end of contract severance provisions for staff on non-UK contracts, UK staff pensions, and leasehold dilapidations.

Severance payments are made to employees in country programmes leaving employment with Farm Africa. The amounts payable are determined by the salary and length of service of the employees. The provision represents the accumulated entitlements of all such employees. The provision is released when payments are made to employees on departure.

The UK staff pension provision represents the accumulated entitlement for UK staff not currently within the Farm Africa defined contribution pension scheme or other independent defined contribution schemes. The provision is released when employees join a scheme.

Dilapidations represent the estimated costs of payments required to make good leased property upon termination of the lease. The provision amount relating to individual property is released on termination of the lease.

17. MOVEMENTS IN FUNDS

	At 1 January £'000	Income £'000	Expenditure £'000	On revaluation £'000	Sale & MI £'000	**At 31 December £'000**
Ethiopian programmes	1,786	2,673	(2,497)	-	-	**1,962**
Kenyan programmes	870	934	(1,538)	-	-	**266**
Tanzanian programmes	(79)	924	(654)	-	-	**191**
Uganda programmes	28	-	(24)	-	-	**4**
Sidai programme	284	44	(444)	(9)	(19)	**(106)**
Forestry programme	59	-	-	-	-	**59**
Other miscellaneous restricted funds	(2)	129	(75)	-	-	**52**
Movement on restricted reserves	2,946	4,704	(5,232)	(9)	(19)	**2,428**
Designated funds – enabler spend	537	3,078	(3,055)		-	**560**
Designated funds – Sidai Africa	664	1,645	(2,203)	(46)	427	**486**
General funds	717	2,718	(2,193)		-	**1,242**
Movement on unrestricted reserves	1,918	7,441	(7,451)	(46)	427	**2,288**
Total movement on reserves	**4,864**	**12,145**	**(12,683)**	**(55)**	**446**	4,716

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

Negative balances are only carried forward on funds where there is a reasonable expectation that funds will be received in a future period from a donor or funder to meet the costs incurred.

As at 31 December 2015, we have chosen to designate £560,000 (2014 £537,000) of our unrestricted funds representing the PPA funds received earlier than expected in December 2015. We expect to spend these amounts by 31 December 2016.

The designated funds set aside for Sidai Africa represent the net assets of the subsidiary within the consolidated financial statements less any restricted funds relating to the Adeso contract and have been adjusted to reflect the completion of the funding from Bill & Melinda Gates Foundation. The trustees plan to use any value within Sidai for the benefit of that programme and so consequently will continue to designate that part of the group's unrestricted reserves.

18. MINORITY INTEREST

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
At 1 January 2015	-	-	-
On sale of 16% share of the subsidiary	66	64	130
Attributable to the minority interest in period following acquisition	27	(83)	(56)
At 31 December 2015	**93**	**(19)**	**74**

On 4 November 2015, Sidai International issued 119,897 shares to the Adolf H Lundin Foundation for $800,000 representing a premium of £3.33 per share. At the time of sale the net book value of the Sidai International group was £293,000. The sale realised an 'accounting profit' of £389,000.

19. NET ASSETS ANALYSIS (GROUP)

	Unrestricted Funds	Restricted Funds	Total Funds
Fund balances at 31 December 2015 are represented by:	£'000	£'000	£'000
Tangible fixed assets	316	-	316
Net current assets	1,972	2,428	4,400
	2,288	**2,428**	**4,716**

20. 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.

21. COMMITMENTS: OPERATING LEASES

At 31 December 2015, Farm Africa has the following annual commitments under non-cancellable operating leases:

	Equipment	**Property**	**2015 Total**	2014 restated total
	£'000	**£'000**	**£'000**	£'000
Operating leases which expire:				
In less than 1 year	**26**	**121**	**147**	114
Between one and two years	**82**	**103**	**185**	252
Later than five years	**-**	**-**	**-**	-
	108	**224**	**332**	366

22. RELATED PARTY TRANSACTIONS

There were no related party transactions requiring disclosure other than transactions with subsidiaries (2014: none).

Farm Africa charged a service fee of £16,000 (2014: £nil plus VAT) and also paid costs totalling £84,000 (2014: £nil) on behalf of Sidai Africa. At the year end, the Sidai Africa owed £103,000 (2014 owed from: £1) to Farm Africa.

Farm Africa has historically paid a number of items on behalf of Sidai Africa (Kenya) and Sidai Africa (Kenya) on behalf of Farm Africa. At 31 December 2015 Sidai Africa (Kenya) owed Farm Africa £13,000 in respect of these items (2014: £10,000).

Farm Africa Limited charged a management fee of £16,000 to Farm Africa Trading Limited. At the year end, Farm Africa Trading owed £153,000 (2014: £107,000) to Farm Africa Limited. In addition Farm Africa Trading have committed to make a donation of £57,000 (2014: £nil) to Farm Africa in 2015. This amount remains outstanding at 31 December 2015.

23. PARENT COMPANY RESULT

The parent company generated a profit of £339,000 (2014: a surplus of £1,136,000).

24. PENSION COSTS

As at 31 December 2015, Farm Africa operated one defined contribution scheme in the UK, provided by Friends Life part of the Aviva Group. It also makes contributions into other individual employee pension schemes.

Farm Africa paid contributions at a rate of 7% of employee salary during the accounting period. For employees not in a pension scheme Farm Africa makes a provision at a rate of 7% of employee salary. The pension cost included in the Statement of Finance Activities for UK employees was £97,000 (2014: £120,000).

25. LEGACIES

There was £57,000 (2014: £177,000) 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.

26. CAPITAL COMMITMENTS

	2015 Group £'000	**2015 Charity £'000**	2014 Group £'000	2014 Charity £'000
Office renovation	**-**	**-**	25	-
Accounting and sales software	**70**	**-**	40	-
	70	**-**	65	-