ANNUAL REVIEW AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

FARM AFRICA LIMITED

REGISTERED CHARITY NO: 326901

REGISTERED COMPANY NO: 01926828

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REPORT FROM THE CHAIR AND CHIEF EXECUTIVE

Farm Africa reached 2.9 million people, more than ever before, in 2017. But that's only half the equation. We're equally proud that we helped local communities sustainably manage 700,000 hectares of forests and rangeland.

There is an inherent and inescapable tension between agriculture and environmental conservation. People living in rural areas need to grow food to eat and earn an income. But crop and livestock farming are resource-hungry and can have a devastating impact on the environment, which in turn drives down agricultural yields.

Over hundreds of years, forests have been burnt or cut down to clear space to grow crops. Overgrazing has turned verdant rangelands barren. The degradation of forests and rangelands, which are no longer able to buffer temperature extremes, absorb water and hold onto topsoil, have reduced the productivity of local farms, making it harder for farmers to earn a living.

Developing innovative solutions to finding the right balance between producing food and conserving the environment is at the heart of Farm Africa's work. Now, more than ever, as food production is threatened by rising populations, a dwindling resource base and a changing climate, our top priority is to find an effective balance between farming and nature.

In eastern Africa, where hunger levels are high and productivity is low, boosting the productivity of smallholder farmers and connecting them better to markets are vital. But the environmental cost of farming must be minimised. Future generations' ability to thrive depends on the sustainable management of soils, forests, grazing lands and water resources today.

At Farm Africa, we measure our impact in terms of producers' increased agricultural yields, higher incomes and stronger links to markets, but also in terms of the sustainable management of land, water and soils.

This report focuses on seven of our projects active in 2017, across four countries. Each presents a unique set of social and environmental challenges. We highlight how we have worked to achieve an optimal balance between our dual, and often conflicting, aims of reducing poverty in rural communities and protecting the environment for years to come.

We hope you enjoy reading the report and finding out more about the impact of the work we achieved in 2017. Our ability to deliver impact is only possible thanks to the generosity of our donors. On behalf of the communities and landscapes we serve in rural Africa: thank you.

Richard Macdonald CBE, Chair

Nicolas Mounard, CEO

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 2017.

FARM AFRICA'S 2017 PERFORMANCE

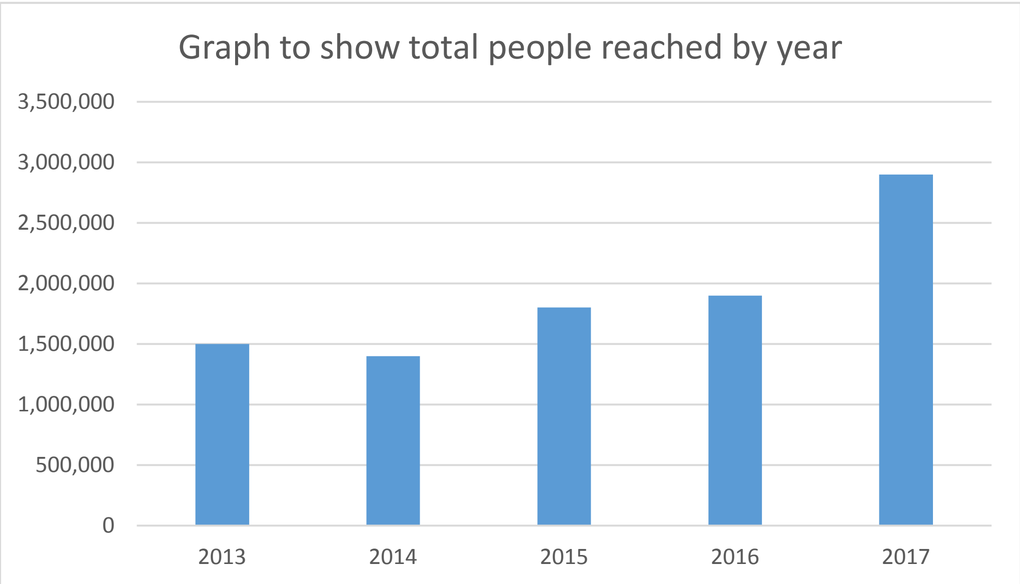
The first section of the annual report looks back at our performance in 2017. This covers three areas: firstly, our impact, which covers the difference we're making across eastern Africa, and a more detailed review of the inherent tension between agriculture and environmental conservation through five case studies of our work. The second part of the report covers our organisation-wide performance, including our performance against the goals we set in 2017. The third section of our annual report covers our financial performance.

FARM AFRICA'S WORK AND IMPACT

Beneficiary data

2017 was another record year for Farm Africa in terms of the number of people we were able to reach.

The people we reach come from a range of backgrounds, and the term 'farmer' is often an inadequate way to describe them. Our projects touch the lives of men, women and children, who may belong to farming families, who may rely on specific ecosystems we have helped to transform, or who merely have benefited from the growth in a specific value chain through obtaining a job.



Case study 1: Building resilience in the Ethiopian lowlands

In Ethiopia's drylands, access to grass and water is of paramount importance to pastoralist communities who traditionally migrate with their herds. Our Market Approaches to Resilience project has empowered herders to protect the landscapes they rely on, while creating resilient, sustainable livelihoods.

As the primary source of cattle feed, rangelands play a vitally important role in sustaining the livelihoods of pastoralists and ensuring long-term food security. But in many rangeland ecosystems in the Ethiopian lowlands, deforestation, rising demand for water resources, overstocking of livestock, uncontrolled grazing and crop agriculture have reduced the availability of dry season grazing and water for livestock and human consumption. Poor soil quality puts drylands at risk of flooding.

Increasing climate variability threatens to pose more challenges to pastoralists and agro-pastoralists already living on the edge of survival in this most challenging of environments. Households are responding to drought or flooding, with 'negative coping strategies', such as selling assets, like cattle, or taking their children out of school.

Farm Africa's 'Market Approaches to Resilience' (MAR) project, implemented in partnership with Mercy Corps, has the twin aims of rehabilitating the environment and creating more resilient and sustainable livelihoods, ensuring that the communities are able to anticipate, absorb and adapt to climate shocks. The project, which is part of the BRACED programme funded with UK aid from the UK government, is located in the Afar, Somali and Southern Nations, Nationalities, and Peoples' regional states.

Anticipating climate shocks

A dearth of accurate weather information has left many people in lowland Ethiopia in the dark about looming climate shocks that could have a serious impact on their ability to raise livestock and grow crops.

The MAR project works with 224 village-level Early Warning and Environmental Committees, increasing the quality of information available to them and their understanding of it. In 2017, we installed a total of 25 digital weather stations, which now broadcast weather and climate information to 354 radio listener groups in 10 different languages via national and local radio stations. Equipped with reliable projections of future weather patterns, pastoralists can anticipate changes and develop adaptation plans accordingly, such as cattle destocking and water conservation activities.

Restoring landscapes

We have trained a total of 476 community leaders in natural resource management, which has led to over 40,000 hectares of watersheds, rangelands and forests now being sustainably managed.

In Derashe in SNNPR state, we helped 7,000 households launch a community effort to restore their rangeland. Thirty-nine hectares of land were closed off and 50,000 tree seedlings and two types of fast-growing grass pasture varieties were planted there. Protected from human and agricultural interference for a year, the previously barren land rehabilitated itself. Eroded topsoil was restored, indigenous trees and vegetation flourished once more and lost plant species, known for their medicinal and nutritional benefits, returned.

The newly planted grass has enabled the community to start an environmentally friendly business selling cut grass to pastoralists, who are now able to feed their cattle within shelters instead of letting them roam the rangeland. The community also plans to start honey production now bees have returned to the area.

The restoration of the rangeland has reduced soil erosion, which in turn has put nearby Lake Chamo at lower risk of sedimentation and pollution that could cause significant damage to fish and water quality, and has saved large swathes of lowland farmland from flooding.

Diversifying livelihoods

The MAR project has helped families reduce the risk of relying on pastoralism by building up savings and diversifying their incomes.

Through access to Village Savings and Loan Associations (VSLAs), community members are able to save and take out short-term loans in times of economic distress. The project has established 327 VSLAs with 6,284 members. As of December 2017, these VSLAs held savings of the equivalent of £74,906 and had lent a total of £21,456 to members.

Regions	Somali	Afar	North Omo	South Omo	Total Birr	£
Number of VSLA groups	56	83	85	103	327	**NA**
Number of VSLA members	1,074	1,675	1,587	1,948	6,284	**NA**
Amount of VSLA savings	615,525	939,002	839,366	377,625	2,771,518	**74,906**
Amount of VSLA loans disbursed to members	77,750	228,150	317,620	170,370	793,890	**21,456**
Number of households accessing loans	1,035	2,110	377	689	4,211	**NA**
Amount of MFI loans taken	4,563,000	5,275,000	4,820,000	2,859,000	17,517,000	**473,432**
Average loan amount per households	4,409	2,500	12,785	4,149	4,160	**112**

A large amount of the money saved by the VSLAs has been used as deposits with microfinance institutions (MFIs), to enable households to directly access loans from the MFIs. A total of 4,211 households have taken out loans from MFIs at an average of £112 per household. These loans have enabled many women to become economically active for the first time, earning money from a variety of activities, such as selling clothes or opening small food shops.

“This year, our area was hit by a particularly severe drought. The pasture reserves saved us from losing our cattle! The result is amazing. Not only trees and pasture, even herbal plants that we once thought were long gone have re-emerged.” Ato Kifle, a resident of Gatto district, Gamo Gofa Zone, SNNPR, Ethiopia

Case study 2: Protecting land. Protecting livestock. Protecting futures.

In Ethiopia's Bale Eco-region, deforestation in the highlands is lowering the flow of water to the lowlands. Faced with drought, pastoralists living in the lowlands exacerbate pressure on the forest by taking their animals there to graze. We work in both the forested highlands and lowland grazing lands helping break this vicious cycle.

The Bale Eco-region, an area covering 22,000 km^2, is home to three million people and 26% of Ethiopia's endemic species and holds a carbon stock of 213 million tonnes. The region and the area downstream are both crucial to international environmental protection efforts. Widespread deforestation, the conversion of forests to farmland, unsustainable timber extraction and over-grazing of livestock is threatening Bale Eco-region's very existence as well as its unique flora and fauna.

Lowland communities are predominantly pastoralists whose livelihoods are dependent on livestock farming, whereas highland communities also farm agricultural crops and earn income through forest products such as timber, coffee and honey. With funding from the European Union's Supporting Horn of Africa Resilience initiative and the Jersey Overseas Aid Commission, Farm Africa is working to protect the environment in the Bale Eco-region and boost livelihoods for inhabitants in a sustainable way.

Restoring grazing land

Restoring rangelands in the lowlands is key to ensuring that pastoralists reduce their dependence on the precious highland forest ecosystems. Year upon year, Mohammed and Kadiya Hassan, pastoralist farmers living in the lowlands of Ethiopia's Bale Eco-region, used to take their children out of school every dry season and travel to the forest highlands searching for pasture for their cattle and camels.

By relying on the lush mountain forests to feed their cattle, goats and camels, the family risked contributing to deforestation.

We have helped pastoralists like Mohammed and Kadiya establish rangeland management co-operatives, which introduced practices such as rotational grazing, so that the grass could regenerate in the rainy season, and clearance of thorny weeds that stop grass from growing. The restored grazing land means the family now remains in the lowlands year-round and no longer encroaches on the endangered forest.

In total, the project has brought 3,500 km^2 (16%) of the eco-region under improved rangeland management, ensuring a sustainable resource for livestock owners.

Livestock productivity

As well as improving grazing land, the project has boosted livestock productivity through a combination of breeding, access to water, animal health and market opportunities. The aim is to change from a low input / low output model of livestock raising that puts too much pressure on rangeland to using more productive breeds.

We have trained Community Animal Health Workers, who now deliver services such as vaccinations, dehorning and hoof cutting and addressing parasites and other diseases to at least 40,000 livestock a month. We have also cross-bred the local Borena breed of cow with Jersey cows, a breed that produces milk yields triple that of local Bale breeds, up to six litres per cow per day.

The project has constructed four ponds between 6500m^3 and 8000m^3 in size. These provide improved water to over 800 households and their livestock, resulting in improved health for both people and cattle and reduced travel to water sources, all of which increases livestock productivity, increases household labour efficiency, and helps keep children in school. We also opened a livestock market centre, which provides over 12,000 households with a route to selling their livestock and produce, enabling them to fetch higher prices by connecting to buyers from across the region and country.

Reducing deforestation

We have helped stem deforestation by helping the community develop forest-friendly businesses, such as beekeeping and forest coffee production. These businesses have provided economic incentives to reduce the land clearance that was previously occurring. Tree planting and the introduction of improved cook stoves have also helped to reduce the unsustainable harvest of fuelwood.

"It took three days of walking to get to the forest. It was difficult for my children to do this journey, so they travelled on the back of mules and I went on foot…. sometimes our calves would die on the journey." Kadiya

"With the improved grasslands we have seen the productivity of livestock increase. The appearance of our cattle has improved and we can now sell them for more money. Previously, the price of one ox was 3,000-4,000 birr – and now it's 8,000-9,000 birr."

Sheik Abdo, a member of a rangeland management cooperative set up with support from Farm Africa (pictured left).

Case study 3: Sustainable coffee cooperatives

Some of the world's best coffee is grown in Ethiopian forests, the birthplace of Arabica coffee. Yet many coffee farmers are trapped in poverty. Fetching an appropriate price for wild coffee helps create an incentive for forest communities to protect the trees under which coffee plants thrive.

Ethiopia is the world's fifth largest producer of coffee. About 40-45% of its highly regarded Arabica beans come from coffee that grows wild in forests. As an industry, coffee can be hugely lucrative: it employs 15 million Ethiopians and makes up some 28% of the country's yearly exports. Yet all too often small farmers are unable to sell their coffee for a good price due to poor coffee quality, lack of access to high-value markets and an inability to add value to the raw product with processes such as sorting and packaging.

Since December 2014, Farm Africa has worked in western Ethiopia helping a total of 5,000 farmers organised into 22 small-scale cooperatives develop the skills and knowledge needed to access high-value markets.

Training in coffee tree rejuvenation and quality assurance has helped improve the quality and quantity of coffee produced, while training in processing, grading and marketing has helped cooperatives access the high-value markets their forest coffee deserves. The coffee grown by farmers involved in the project is now being sold into the international speciality coffee market, with members of the Oromia Coffee Union travelling to Seattle, the US centre of speciality coffee, to seal a deal with Atlas and Twin in 2017.

By supporting forest-friendly businesses, we are helping reduce deforestation and ultimately, helping to tackle climate change.

We assessed the cooperatives' long-term viability as commercial entities by analysing the financial sustainability and business efficiency of 10 cooperatives working with 2,400 farmers during the 2017 harvest. Highlights of the findings were:

- The project's 5,000 farmers produced 200 metric tonnes (MT) of forest coffee in 2017;
- Over 21 MT of speciality forest coffee have been sold to international premium markets in the US and UK, generating over 1,250,000 Ethiopian birr (Br) (approximately £33,000) of revenue for over 800 farmers;
- 48 MT of high-quality forest coffee was sold for above-market prices within Ethiopia, generating over 2,858,400 Br (£76,500) of revenue for the farmers; and
- 15 cooperatives in two zones were supported to access, and repay, over 1,850,000 Br (approximately £49,000) of working capital loans to invest in processing and transport facilities that would add value to their forest coffee.

Analysis of the data enabled us to identify the key characteristics of successful coffee cooperatives. Perhaps unsurprisingly, size matters. The more coffee a cooperative sells, and buys, from its farmers, the more its profits increase, as does its profitability. The analysis found that increasing the volume of coffee-cherry produced per member, rather than having a large membership base, led to the most profitable model.

Refining our approach

The analysis provided valuable insight into the challenges the cooperatives faced, and enabled us to offer targeted support focused on overcoming these blockages. After discovering that some cooperatives were having to wait two months to have their coffee processed at local processing facilities, we were able to find additional processors to work with. By early 2018, waiting time had been reduced by two weeks. Delays to sales were being caused by a lack of local data on the premium coffee market-prices, so we worked to increase the competition for cooperatives' produce and increase the market turnover speed by introducing cooperatives to new international and local buyers.

Representatives of the Oromia Coffee Union, Atlas and Twin seal a deal for the export of coffee from Ethiopia to the US.

"As women, we never used to be involved in these activities, so it's good to have this opportunity now. I hope more and more women come and join these activities. If I hadn't had my training I wouldn't have the opportunities I have now."
Munaja, a coffee farmer involved in the project

Case study 4: Growing futures

Farm Africa is helping young farmers in western Kenya escape poverty by developing profitable horticulture businesses using sustainable farming methods that protect the land they farm.

In 2016, nearly 80% of Kenyans were less than 35 years old; and nearly one in five young people of working age were jobless. In a country where agriculture is key to the economy, contributing 26% of the Gross Domestic Product, providing 65% of the export earnings, and employing more than 70% of rural people, farming should be offering a solution to youth unemployment[1].

Launched in 2016, our Growing Futures project, funded by Aldi, helps young people build profitable agribusinesses that capitalise on the booming demand for Kenyan fruits and vegetables. Farm Africa has helped 421 young farmers in 23 youth groups grow and sell French beans, snow peas, kale, tomatoes, nightshade and cabbages to domestic and international markets. We've helped them source seeds and high-quality inputs, improve irrigation, grading and storage facilities, and build their links to markets.

Boosting productivity and production
Regular survey data from farmers shows that productivity (measured in kilograms produced per acre) for French beans and kale increased by 9% and 77% respectively between November 2016 and August 2017. Due to increased productivity, and an increase in the number of farmers growing these crops, total production also increased by 61% and 181% to 60 metric tonnes (MT) of French beans and 85 MT of kale respectively, in the same time frame.

Challenges to increasing production included unusually heavy rain during the long rainy season, which caused flooding, water logging and fungal and bacterial infections. In contrast, during the dry season from October to December many farmers were unable to plant crops due to a lack of irrigation. We have implemented a number of measures to help farmers maximise their yields whatever the weather. The introduction of a text messaging service now prompts farmers to take note of impending weather forecasts. An exchange visit to a drier region in eastern Kenya equipped farmers with knowledge on how to successfully manage water in the dry season.

Building links to market
To date, we've helped farmer groups set up 19 export contracts, guaranteeing a market for their produce. We've provided training on financial literacy, helping farmers gain access to credit from micro-finance institutions and village savings and loans associations, and helped farmer groups write business plans detailing when they will plant and sell to known markets in 2018.

Protecting the environment
We have trained the farmers on GLOBAL Good Agricultural Practice (GLOBALGAP) standards, which require that production methods ensure food safety and traceability, environmental protection and workers' health and welfare.

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[1] http://www.fao.org/kenya/fao-in-kenya/kenya-at-a-glance/en/

We are excited to report that in November 2017, 100 farmers passed external audits to become GLOBALGAP certified, giving them access to larger buyers and more lucrative export markets.

The project's environmental footprint is now being minimised with the use of charcoal coolers, which preserve produce and reduce food waste. We're training farmers to minimise water pollution by handling crop protection chemicals over a soak pit, so they don't leach into the environment. We are also helping some farmers to install drip irrigation, an environmentally friendly type of irrigation which minimises water and nutrient losses.

Project expansion

With funds from Medicor Foundation and UK aid, the successful Growing Futures project will be scaled up in 2018, reaching an additional 4,900 farmers in western Kenya.

"After accessing the knowledge from the training I went through, I had to enlarge my projections of tomatoes and French beans. After selling I got money, which I use to send my children to school and buy food. The nutrition of our family is better than it was before: we can now have a balanced diet. I have also been able to buy a piece of land and manage my fields. I have benefited a lot from the project."
Joseph, a farmer taking part in the Growing Futures

"Hearing the impact that being part of Growing Futures has had on young farmers' lives left us hugely inspired."
Jonathan Neale, Aldi UK

Case study 5: Cutting food waste and boosting trade

About one third of the food produced in the world every year is wasted[2]. This takes its toll on the environment, meaning a waste of land, water and energy put into production, as well as a loss of potential income for farmers. In Tanzania and Uganda, we're helping rice, maize and beans farmers increase their incomes by cutting food waste and boosting trade.

While Tanzania and Uganda typically produce a surplus of staple crops every year, neighbouring Kenya only grows enough maize to feed itself one year in five. With funding from UK aid from the UK government, Farm Africa's FoodTrade project helps Tanzanian and Ugandan smallholder farmers increase their profits by cutting post-harvest losses, aggregating their staple crops and selling them in bulk to large-scale buyers within and across borders.

In partnership with the local NGO Rural Urban Development Initiatives (RUDI) and the Belgian-based international NGO Rikolto, we're helping farmers store grain in warehouses certified as meeting international standards, so that crops can be kept dry and are less susceptible to fungal infections and pest infestation, both common results of poor storage. This means less food goes to waste, which benefits both the environment and farmers' profits, as well as addressing food security. Safe in the knowledge that food won't rot or be eaten by pests while in the warehouses, farmers are able to wait for prices to go up to sell their crops.

Where is food wasted?

Whilst in Europe food waste is common at retail and consumer level, in eastern Africa food tends to be lost at post-harvest and processing levels, so the producers bear the greatest financial burden.

We have worked with 72,848 farmers through aggregation warehouses, increasing their awareness of the East African Community grain standards required of staple crops, especially those destined for export, and providing training on how to achieve these standards.

We've also worked with staff from 85 warehouses to build business skills and access market information, to help them better decide when to sell and at what price. Linkage with The East African Grain Council's (EAGC) RATIN software provides free, daily text messages on current grain prices in specific localities.

To further support grain aggregation we have helped farmers gain access to credit to invest in their businesses. In Mbeya in southern Tanzania, Mbuyuni Farmers' Association attracted a consortium of buyers, input suppliers and banks who signed a tripartite agreement allowing the farmers to use aggregated crops in warehouses as collateral to access loans and inputs on credit. Yara International, an international input supplier, agreed to supply fertiliser on credit, which the farmers would pay back after receiving the revenue from the sale of their crops. The National Microfinance Bank committed to lend one billion Tanzanian shillings (about £316,000) to the farmers who had a sales agreement with a buyer to buy a milling machine. This will allow the 1,316 member farmers to add value to their unprocessed rice (paddy) by milling it into clean rice, which sells for a higher price.

[2] http://www.fao.org/save-food/resources/keyfindings/en/

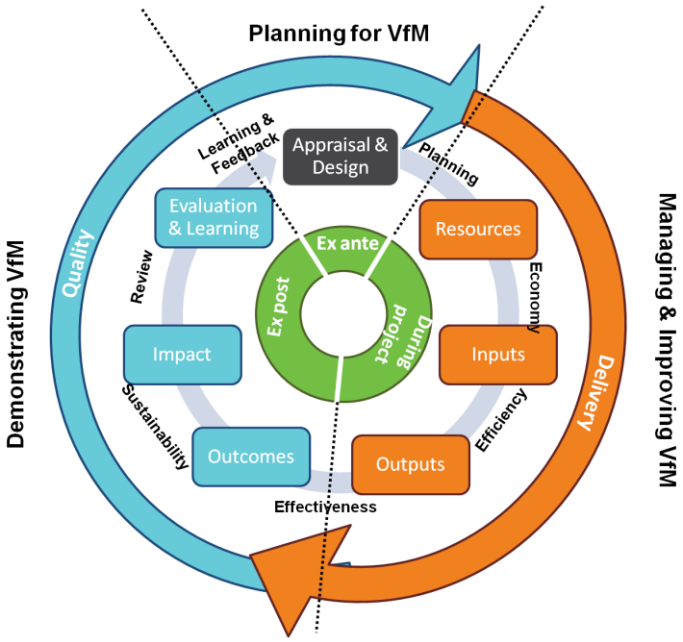
Cumulatively, 100,738 MT of grains were traded under the project over two years. Farmers supported by the project who aggregated and improved their post-harvest handling of grain achieved on average higher prices than other farmers who sold at farm gate.

"*If you sell individually, it is not good. If you sell collectively, you get a bigger market. The price is good because the buyer gets a bigger volume at the same time. It is better to wait to sell the maize when the price is higher. The village aggregation centre is good because I can leave the maize there and forget about it. I don't have to worry about rats and mice.*" **Frida Elisante Sarakikya, a farmer working with Farm Africa and Rikolto in northern Tanzania**

"I look for buyers for the crops. I use social networks and telephone and I visit them and take samples of the crops. I compare the different prices and move to different markets in Arusha and Dar es Salaam and choose the best price. Compared to farmers selling crops themselves at their farms, we get much better prices." **Victor Simon Kaaya, aged 25, manager of the Uwamale cooperative warehouse in northern Tanzania**

VALUE FOR MONEY APPROACH

During 2017 we have continued to apply the VfM (value for money) framework developed in 2013 to track, manage and improve the VfM of our work. Our framework is grounded in the widely-used '3Es'[3] approach, but expands the components of VfM to incorporate sustainability and learning. Sustainability is vital for achieving VfM in the work we do: if a project's results do not last beyond our direct involvement, it cannot be said to deliver good VfM. We also recognised the need for a stronger organisational focus on learning and feedback loops. The expectation is that greater VfM will be achieved over time if the learning from one context is shared and systematically influences the design of another.



VfM in practice: FoodTrade

The most important aspect of VfM for Farm Africa is delivering value to the people we work with. A great example of this during 2017 is through our FoodTrade programme where the figures have been obtained from the independent final evaluation report.[4]

Under the FoodTrade programme, farmers supported by Farm Africa adopted improved post-harvest practices and grading standards.

This contributed to a **22% average increase** in **prices** (\$0.35/kg to \$0.426/kg) for the 100,738 MT traded by FoodTrade smallholders under the programme.

In generating **\$7.6** million of **new farm-gate value,** Farm Africa invested a £3.0million (c\$4.2 million) activity budget to generate a **181% return on investment.**

Crucially, this quantifies the benefits already achieved. By continuing to follow the improved practices farmers will continue to benefit for many harvest seasons to come.

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; and

[3] Economy, efficiency and effectiveness
[4] For further details of FoodTrade see case study 5 in the Impact section.

- 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 object.

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

STRATEGY AND GOALS

2016 – 2020 STRATEGY

During 2016 Farm Africa finalised our new strategy for the period 2016 - 2020 called 'Driving prosperity through agriculture.'

> ***"The central idea which guides our strategy is that investing in smallholder farming is the number one way to tackle poverty in rural Africa."***

This depends upon making agriculture work better, using natural resources well and creating stronger markets for what farmers produce.

Therefore Farm Africa aims to be the leading technical specialist NGO in the fields of agriculture, natural resources and markets – which we refer to as the pillars of our approach – as illustrated in the graphic below.

2016 – 2020 STRATEGIC GOALS

How do we plan to do this? Our eight strategic goals

- **Goal 1: To be a leading specialist NGO**

We will define ourselves as an agriculture, environment and market engagement specialist in a landscape featuring mainly generalist NGOs and generalist private consultancies.

- **Goal 2: To comprehensively codify our approach**

We will codify, strengthen and disseminate our approach and tools by collating the cutting edge knowledge of our technical staff and drawing upon existing best practice from across our portfolio of projects.

- **Goal 3: To strengthen our commercial expertise**

We will deepen our understanding of agricultural value chains and the stakeholders and businesses that operate within them. We will increase our ability to facilitate trade.

- **Goal 4: To develop an organisational monitoring and evaluation (M&E) framework**

Currently our M&E framework is mainly project specific, with different indicators and measurements for different projects. We will create an organisational M&E framework to measure, aggregate and analyse our overall successes and impact.

- **Goal 5: To build a high performance culture**

We will improve our cross-departmental ways of working. We will enhance our knowledge management capacity. We will role out an organisational learning and development framework.

- **Goal 6: To ensure sustainable income streams**

With the ending of the PPA funding we expect to shift from a funding model financed more by restricted funding than unrestricted funding. We will ensure our central operating costs are highly lean and efficient. We will look to improve our cost recovery on institutional funding income.

- **Goal 7: To embrace digital**

We need to progressively move direct marketing to digital to engage new audiences and recruit new supporters efficiently and effectively.

- **Goal 8: Expand our footprint**

We aim to expand our footprint in Africa to manage bigger programmes, reach more farmers and generate more impact.

More detail on these and all our future plans is given in Farm Africa's *Strategic plan* which can be downloaded from our website www.farmafrica.org/strategy.

ORGANISATIONAL PERFORMANCE

2017 was the second full year of Farm Africa's strategic plan. This plan identified eight key priority areas. These priority areas are broken down into a set of annual goals. The progress we have made against the 2017 goals are described below.

<table>
<tr><th>Strategic objective</th><th>Annual goal</th><th>Outcome</th></tr>
<tr><td colspan="3">Impact objectives
(Supporting strategic goals 1,4)</td></tr>
<tr><td rowspan="3">Achieving impact at scale</td><td>Small changes are not enough. That means scaling up. During 2017 we will reach more than 2m people for the first time.</td><td>Farm Africa reached 2.9m people in 2017, the largest number ever.</td></tr>
<tr><td>We will sign one regional grant with a value of at least £3.0m.</td><td>During 2017 Farm Africa secured a £4m grant to work on livestock-related livelihoods in Uganda and Ethiopia.</td></tr>
<tr><td>We will consolidate our strong project level impact metrics into a set of organisational level impact metrics, which will be published in our 2017 impact report.</td><td>Farm Africa's Annual Impact Report was published in June:

https://www.farmafrica.org/downloads/2017/farm-africa-impact-report-2016.pdf

Key numbers from the impact report.
Agriculture
• 77% increase in kale productivity in western Kenya;
• Community Animal Health Workers in Bale, Ethiopia reached 40,000 livestock a month;
Environment
• 700,000 hectares of forests and rangeland sustainably managed;
• 25 digital weather stations installed in Ethiopia;
Markets
• 937 village savings and loans associations supported;
• 21 metric tonnes (MT) of Ethiopian speciality forest coffee sold to international markets; and
• 72,848 Ugandan and Tanzanian farmers aggregated 100,000 MT of staple crops.</td></tr>
<tr><td colspan="3">Organisation objectives
(Supporting strategic goals 2,3,7)</td></tr>
<tr><td>Roll out the approach work</td><td>We will invest time in documenting and sharing our tried and tested approaches in subjects ranging from forest management to aquaculture to international trade so they can be effectively and consistently replicated, not just by us, but by others who share our</td><td>All of Farm Africa's approach papers were finalised. This totalled 9, not 12 as originally planned as several were aggregated.</td></tr>
</table>

Strategic objective	Annual goal	Outcome
	vision. This will culminate in a set of 12 approach papers. Each of these 12 papers will have an internal version and a published external version. The approach papers will be underpinned by a set of at least 50 tools, which will be used in our projects to maximise effective project delivery.	The approach papers are all published on Farm Africa's website : https://www.farmafrica.org/agriculture/agriculture-1 https://www.farmafrica.org/environment/environment-1 https://www.farmafrica.org/business/business-1
Deepen our partnerships with the private sector	Farmers' abilities to build thriving businesses depend on well-functioning markets. We will scale up work with a wide range of private sector organisations from those providing agricultural inputs or access to finance to companies acting as gateways to international export markets.	In Kenya we worked with VegPro to help farmers sell French beans, kale and cabbages internationally. In Ethiopia we worked with several MFIs (Micro Finance Institutes) to improve access to credit for pastoralists.
	We will deepen our expertise and level of partnership with commercial coffee companies, in particular connecting Ethiopian produced forest coffee with export markets.	We helped the Oromia Coffee Union to secure a deal for the sale of specialist coffee with Atlas and Twin in 2017. Full details are contained in the case study 3 in the annual report.
	We aim to sign significant partnerships with at least two corporate organisations from the food industry with a value of £500k per annum.	We agreed two significant corporate partnerships. The first with Aldi – working on the growing futures project (described in the case study). The second with Waitrose in Kenya through the Waitrose Foundation.
Develop our digital communication	We will recruit a lead digital specialist to help us harness the power of digital communications to engage with new audiences, share the lessons we learn and shine a spotlight on the stories of farmers whose lives we've changed.	We recruited a Digital Manager and have begun a digital transformation project to integrate digital into all aspects of our work.
	Financial goals (Supporting strategic goals 5,6)	
Income & fundraising	We aim to raise a total of £13.0m, including unrestricted income of £2.0m, restricted income of £7.9m and income from Sidai of £3.1m.	We raised a total of £14.7m, £1.7m above our target.
	We will also integrate our funding strategy with our digital strategy and corporate partnership development in order to broaden out our income streams.	We appointed a Digital Manager during 2017 to lead on this work. We began to integrate digital marketing into our fundraising campaigns.
Sustainable financial model	The end of the PPA funding period requires Farm Africa to shift its financial model to a different basis.	Outcomes in line with goals (see below page)

Strategic objective	Annual goal	Outcome
	We will pursue four factors to achieve this transition to a sustainable financial model post PPA: We will increase our cost recovery from £0.9m to £1.2m; ➢ We will improve the net margin on our unrestricted fundraising ➢ We will increase the volume of restricted grants we bid for by at least 25%; and ➢ We will reduce our central cost structure by 16% (£0.7m) from 2015 levels.	The 2017 financial results achieved the following: ➢ Cost recovery increased by 32% to £1.2m in line with our ambitious target; ➢ The net margin on unrestricted fundraising increased to £1.3m; ➢ We reduced our central cost structure by 14% (over £0.6m) from their 2015 levels.
Innovation (Supporting strategic goal 8)		
	We will build on our strong track record of innovative thinking. We'll focus on how we can effect systemic change, and strive to build stronger and deeper links between our work in different locations, so that our programmes work in synergy, increasing our regional impact.	Our SHARE programme is an example of Farm Africa's innovative approach. SHARE takes a **whole ecosystem approach** to maximise the benefits of all stakeholders and manage the tension between environmental sustainability and agriculture in a holistic way. Refer to case study 2 for more details.

2018 OBJECTIVES

To aid our planning, we have broken down the strategic goals into a set of annual objectives. These objectives are more specific and time-bound than the strategic goals – and represent the key steps for Farm Africa in the next year towards achieving the strategic goals. We have grouped the objectives into the areas of impact, organisation, finance and innovation and cross referenced which strategic goals they underpin.

Strategic objective	Annual goal
Impact goal	
Achieving impact at scale	Small changes are not enough. That means scaling up. During 2018 we will reach more than 3m people for the first time.
	We aim to sign grants and contracts with a total value of £25m during 2018.
	We will plan for geographical expansion into at least one new country.

Strategic objective	Annual goal
Impact goal	
Technical excellence	We will develop a knowledge hub which combines our knowledge of agriculture, landscapes (soil, water and climate) and markets within three value chains. We will expand our network of sector specialist consultants in order to access the highest level of expertise to support our programme delivery.
Deepen our partnerships with the private sector	We will partner with at least one private sector organisation to integrate their supply chain and development and sustainability work within eastern Africa.
	We will bid for and aim to secure one commercial contract to deliver a technical assistance agricultural support programme within eastern Africa.
Develop our digital strategy	We will continue our digital transformation project to ensure digital is integrated into all aspects of our work.
Income & fundraising	We will raise £2.0m in unrestricted funding.
	We will deepen our partnership with the World's 50 Best Restaurants to promote the links between food and development.
Sustainable financial & organisational model	We will produce and begin to implement a three year growth plan (covering the period 2018 – 2020). We will ensure best practice in our policies and processes around safeguarding.
Innovation	We will look to undertake a project exploring the impact of child labour & modern slavery within agricultural value chains and identifying what can be done to tackle this.

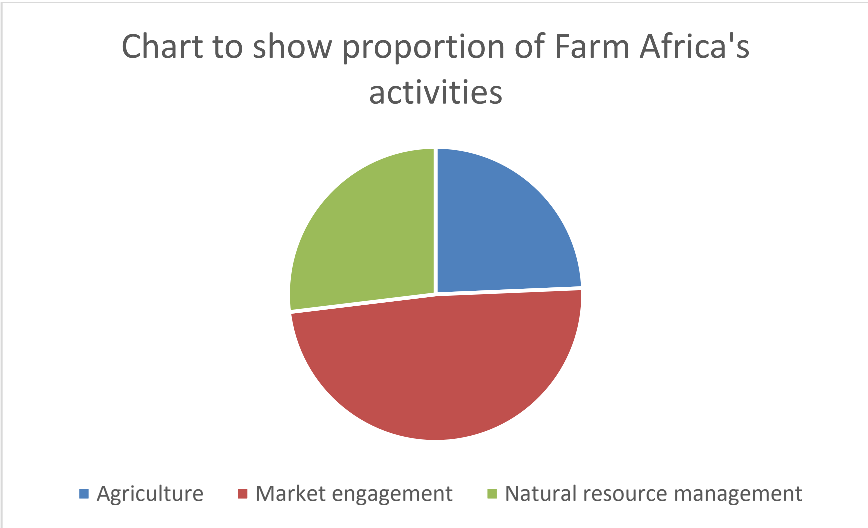
FINANCIAL REVIEW

2017 FINANCE OVERVIEW

In financial terms 2017 was a **year of transition** for Farm Africa's financial model. The central challenge was to create a stable financial model without DFID Programme Partnership Arrangement (PPA) funding, previously worth over £1.2m per year. Our strategy is based on three core strands:

- *Increasing the level of cost recovery on our programmes*. Cost recovery was £1.2m in 2017, up 32% on 2016 and in line with our ambitious target;
- *Increasing net margin on unrestricted fundraising*. Net margin on unrestricted fundraising rose from £0.9m in 2016 to £1.3m in 2017; and
- *Reducing our central cost structure*, Central costs[5] were reduced by a further £0.1m in 2017, and are now £0.5m lower than in 2015.

In this year's financial statements, for the first time, we have analysed our charitable expenditure based upon Farm Africa's three programmatic pillars of agriculture, business, and the environment[6]. This showed 49% of our charitable activities related to supporting farmers in market based activities, with 24% on agricultural activities and 27% on environmental conservation work.



INCOME

Total income has decreased to **£14.7m** (2016: £17.9m), an overall decrease of £3.2m. The decrease was predominantly due to £2.3m of PPA funding received in 2016 (nil in 2017), and lower grant income in Sidai, our social enterprise subsidiary in Kenya.

Fundraising income increased to **£2.3m** (2016: £2.1m), due primarily to a £270k increase in legacy income.

Our project income, which is principally income from government, institutional and other major donors, decreased to **£10.4m** (2016: £11.6m). This was mainly due to the timing of income receipts (in particular the SHARE project funded by the EU, where a tranche of funding was received in 2016 including for 2017 activities).

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[5] Defined as fundraising costs and support costs
[6] Excluding Farm Africa's subsidiary social enterprise, Sidai.

Farm Africa broadened our funding base during 2017 with new grants from Packard Foundation, the International Livestock Research Institute, and Conservation International.

EXPENDITURE

Our total expenditure has remained steady, declining by £0.1m to **£16.4m** (2016: £16.5m). Spend on charitable activities increased from £15.6m to **£15.7m**, driven by the growth of our project portfolio and a strong focus on timely project implementation.

Fundraising expenditure decreased slightly to **£0.8m** (2016: £0.9m) to reflect our strategic focus on improving the net margin from fundraising income and by reducing the costs and activities associated with new individual donor recruitment.

FINANCIAL RESULTS

Farm Africa reported a deficit of £1.55m of which £0.87m was a deficit on restricted funds and £0.68m was a deficit on unrestricted funds. This was in line with the financial plans and budget set for 2017. There were three distinct elements within the overall financial result:

1. **Restricted funds.** The restricted fund deficit was planned and budgeted due to differences in timing across financial years between the grant income and grant expenditure for a number of institutional donor grants.
2. **Farm Africa unrestricted funds.** Deficit of £0.17m as per transition plan post PPA.
3. **Sidai unrestricted funds.** As part of Sidai's business plan and growth strategy, and in line with many developing social businesses, Sidai has not yet achieved profitability in its commercial trading arm. Sidai's trading losses in 2017 were £0.60m. Sidai continued to invest in building its brand, expanding its reach and developing Sidai own branded products. This analysis is shown in the table below which disaggregates Farm Africa's consolidated unrestricted funds into these two elements.

The table on the following page analyses the overall 2017 unrestricted funds deficit between the portion relating to the underlying Farm Africa charity (and trading subsidiary), and the portion relating to Sidai.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2017

	Sidai Group Unrestricted funds £'000	Farm Africa Charity & Trading Ltd Unrestricted funds £'000	Total Unrestricted funds £'000
INCOME FROM			
Donations and legacies		2,266	2,266
Charitable activities			
Social enterprise trading income	1,968		1,968
Other trading activities		41	41
Investment income		1	1
Other income		20	20
Total income	**1,968**	**2,328**	4,296
EXPENDITURE ON			
Raising funds		766	766
Charitable activities			
Social enterprises	2,565		2,565
Agriculture		496	496
Business		736	736
Environment		509	509
Total expenditure on charitable activities	2,565	1,741	4,306
Total expenditure	**2,565**	**2,507**	**5,072**
Net income / (expenditure) for the year before minority interest	**(597)**	**(179)**	**(776)**
Net income / (expenditure) for the year after minority interest	**(499)**	**(179)**	**(678)**

RESERVES

As at 31 December 2017, total reserves were £4.6m (2016: £6.2m). This is broken down into restricted reserves of £3.6m and unrestricted reserves of £1.0m.

The unrestricted reserves of £1.0m are comprised of three elements. **Firstly, the parent charity's unrestricted funds remained stable at £1.7m.** Secondly, £0.17m of our unrestricted funds are designated to facilitate the transition of Farm Africa's unrestricted funding after the PPA grant has finished (we designated £0.35m in 2016, of which £0.18m was utilised in 2017 and the remainder is earmarked to fund our growth plans). Finally, **Sidai** has a net deficit of £0.92m (2016: deficit £0.42m) reflecting the business expansion funded predominantly by debt finance and reflecting a net liability position.

In summary, we begin 2018 in a solid financial position with reserves necessary to deliver our ambitious goals for growth through the new strategy.

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.

ORGANISATIONAL INFORMATION

This section includes important information about Farm Africa and how we operate as an organisation. It covers our:

- charitable objects; which define in law the aims of the charity;
- vision, mission and values; which cover what we are trying to achieve and how we aim to achieve it;
- legal structure; the legal form which Farm Africa operates within; and
- governance and management structure; which outlines how the organisation is managed and important decisions are made and scrutinised.

CHARITABLE OBJECTS

While there has been huge progress in bringing global poverty levels down, sub-Saharan Africa has benefitted the least. Today, almost half of the world's extreme poor live in sub-Saharan Africa. The vast majority work in agriculture in rural areas. We tackle the three big challenges trapping people in rural Africa in poverty: ineffective agriculture, environmental destruction and their lack of access to markets.

This work is guided by our charitable objects:

- 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:

VISION, MISSION & VALUES

OUR VISION: a prosperous rural Africa.

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

We have been working in eastern Africa for 30 years and currently have programmes in Ethiopia, Kenya, Tanzania and Uganda. We focus on crops, livestock and forestry and have a track record of world-class technical expertise and delivery. We take a holistic systems approach, recognising the differing aims of different stakeholders to protect the natural environment and maximise the economic benefits from farming.

We are recognised for the quality of our 200 plus staff in eastern Africa who work closely with rural communities to ensure an approach that combines a deep understanding of the local culture and context coupled with a solid knowledge in our fields of expertise.

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

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.

LEGAL STRUCTURE

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

TAX STATUS

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

AUDITOR APPOINTMENT

A resolution concerning the reappointment of Crowe Clark Whitehill LLP as auditors will be proposed at the Farm Africa annual general meeting of **5 July 2018**.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

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

Mr Michael Palin CBE and Sir Martin Wood OBE FRS DL both kindly agreed to continue as patron and president respectively of Farm Africa during 2018.

Farm Africa is governed by a board of trustees based in the UK and authority is delegated by them to the chief executive to manage the organisation. Changes to the board of trustees are shared in the officers and advisors section on page 3.

Trustee 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 followed by an interview process with a panel of trustees and approval by the board. The trustees are then formally elected by the members at the next annual general meeting. New trustees receive a personalised induction, including briefings from the chair, chief executive and other senior management team members. They are encouraged to visit our project work when the opportunity arises. Trustees also receive ongoing training, either one to one or through briefings at board meetings and as and when specific training needs are identified.

The finance risk and audit committee (FRAC) meets regularly under the chairmanship of John Shaw, Farm Africa's Treasurer. FRAC normally comprises at least two trustees, together with external members as required. FRAC agrees the external audit plan, reviews the external auditor's management letter and monitors the implementation of resulting actions. FRAC also undertakes a detailed review of the annual budget, quarterly management accounts, the risk register and the annual review and accounts before their submission to the board. It approves the annual internal audit plan and oversees the implementation of recommendations arising from internal audit reports.

The programme advisory committee (PAC) met throughout 2017 under the chairmanship of Professor Jonathan Kydd. PAC comprises at least two trustee members and external members from a wide range of disciplines. PAC has two objectives:

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

The nomination and remuneration 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 director of resources 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. It also approves salary increments for the senior management team and the annual cost of living increase for UK staff, and makes a recommendation to the board on the salary of the chief executive.

We are supported by Farm Africa USA 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.

SUBSIDIARIES

During 2017, Farm Africa had two directly owned and active subsidiaries:

- Sidai Africa Limited, which acts as an investment holding company for Sidai Africa (Kenya) Limited, our veterinary franchise operation in Kenya, and
- Farm Africa Trading Limited, which 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 13. Farm Africa Trading made a loss for the year of £22,000 (2016: loss of £12,000). Our corporate sponsorship income is variable as it is dependent on the number of high profile events in a particular year and thus results in variable results across different financial years. We expect Farm Africa Trading to make a profit in 2018 and for significant growth in our corporate partnerships.

During 2017, Sidai Africa (Kenya) Limited, the wholly owned subsidiary of Sidai Africa Limited, made a loss for the year of £580,000 (2016 loss of £969,000). Like many growing businesses Sidai continued to invest in growth by building its brand, expanding its reach and developing Sidai own branded products. Sidai's strategy is to continue to grow and is seeking external investment to facilitate this growth.

POLICIES & LEGAL INFORMATION

The final section of the annual report covers important policies and legal information which give more technical insight into how Farm Africa operates.

GRANT-MAKING POLICY

Farm Africa works with a number of delivery or implementation partners. These are generally structured where Farm Africa is the lead grant recipient and the delivery partners act as sub-grant recipients.

Partner selection is done on a grant by grant basis. The criteria for partner selection includes specialist expertise that will broaden Farm Africa's technical expertise (for example, the International Water Management Institute), geographical reach to enable more effective programme delivery (for example, Vredeseilanden in Uganda), and a complementary core competence.

Before a formal grant agreement is signed all potential grantees are subject to a due diligence process based upon the OCAT (Organisational Capacity Assessment Tool).

A signed grant agreement is put in place with all partners, which covers joint ways of working, delivery criteria and reporting requirements. Grant reporting requirements are generally governed by Farm Africa's grant agreement with the primary donor.

SAFEGUARDING POLICY

During the period since the previous annual report, Farm Africa have reviewed our safeguarding policy and processes. Farm Africa is committed to:

- promote good practice and work in a way that prevents harm, abuse and coercion occurring;
- ensure that any allegations of abuse or suspicions are investigated promptly and robustly. And where the allegation is proven it will be dealt with appropriately;
- take any action within our powers to stop abuse occurring and ensure the person who has experienced the abuse receives appropriate; and
- be transparent and open by reporting any cases of abuse to the appropriate authorities.

In order to create a working environment that safeguards our beneficiaries, Farm Africa will:

- promote the rights of the people we work with to live free from abuse and coercion;
- ensure the well-being of the people we work with;
- manage our work in a way that promotes safety and prevents abuse;
- recruit staff safely, ensuring employment references are obtained;
- ensure that all staff sign up to Farm Africa's code of conduct and safeguarding policy; and
- provide effective management for staff through supervision, support and training.

REMUNERATION POLICY

Farm Africa is determined to reach as many smallholder farmers and their families as we possibly can. We 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 had an annual income of £15m, has a track record of world class technical expertise and delivery and has around 200 staff internationally. This provides the organisational context in which to set our remuneration policy.

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. This data is translated into salary scales for the UK and each operational country and approved by Farm Africa's senior team. All staff are paid in line with these salary scales.

The nomination and remuneration committee uses the benchmark 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. The bandings for senior staff remuneration are disclosed in Note 10.

RESERVES POLICY

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

- to provide working capital and manage seasonality of income, 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 and to manage foreign exchange volatility; and
- to enable Farm Africa to invest in unforeseen funding and growth opportunities should it choose to do so.

The board considers that unrestricted reserves target should be set by applying the following methodology:

- income risk: an assessment of the percentage risk in each unrestricted income stream (including forecast hub recovery and co-funding) of between 5% and 40% dependent on source; and
- programmatic expenditure: an assessment of the unplanned unrestricted expenditure needs being calculated as 5 - 7% of projected restricted expenditure.

This methodology translated to an unrestricted reserves target of **£1.3m at 31 December 2017.** This compares with an actual figure of unrestricted funds, including those designated, of **£1.9m**.[7]

Through prudent financial management Farm Africa's reserves are £600k above the target level. The trustees have carefully considered the right balance between ensuring a strong and stable financial footing for Farm Africa and putting funds to use to further support farmers.

[7] These are the unrestricted reserves figures for the parent, excluding Sidai's reserves.

FUNDRAISING DISCLOSURE

In 2017 Farm Africa conducted all of its fundraising practices “in house” and did not engage any agency to provide fundraising acquisition on its behalf. Farm Africa raises funds from individuals, events, corporate partners and trusts and foundations. All fundraising activity was overseen by the Director of External Relations and all activity was compliant with the Fundraising Regulator.

Farm Africa is a voluntary member of the Fundraising Regulator and as such ensures compliance with the Fundraising Code of Conduct.

Farm Africa did not receive any formal complaints in relation to its fundraising in 2017 but does have a complaints procedure in place which can be actioned if required to do so.

In order to protect vulnerable people, Farm Africa ensures that all communication with donors is recorded on a secure database. Should there be any concerns that a supporter is vulnerable, as per Farm Africa’s safeguarding policy, appropriate action is taken to prevent requests for donations from these supporters.

INVESTMENT POLICY

Farm Africa has an agreed investment policy covering both programme-related investments and assets held to fund planned expenditure. As the majority of Farm Africa’s funds are held to support planned expenditure the aim of the investment policy is to minimise risk and protect capital security and therefore such assets are held as cash, invested to obtain a yield where possible.

Farm Africa’s policy towards programme-related investments (PRI) is to be open towards PRIs subject to assessing a number of tests. These tests are (1) the PRI must primarily be focused on Farm Africa’s social impact, (2) the PRI should be in the area of expertise (in particularly African agricultural value chains), (3) subject to the assessment of a business case by the board – in particular to assess financial sustainability on a case by case basis. The business case will also include the financing mechanism needed for the PRI investment, (4) the level of governance and management involvement associated with the PRI.

RISK MANAGEMENT

The board is responsible for ensuring that there is an appropriate process 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.

The four most significant risk areas identified by the board are:

- maintaining financial strength and sustainability;
- reliance on a small number of key staff and managing significant organisational change;
- political and security risks arising in the countries where we operate; and
- ensuring high quality, timely programmatic delivery in challenging operating contexts.

The external environment in which Farm Africa works is inherently risky. The security situation in some parts of eastern Africa is difficult and NGO regulation in our countries of operation is becoming more burdensome. Farm Africa seeks to manage the resulting risks by spreading its work over a number of countries and contexts and by sourcing funding from as wide a variety of funders as possible.

The strategic goals address all the main risk areas, recognising the inherent risk within the operations. A regular programme of internal audit provides additional support for the trustees in considering the effectiveness of key controls in place to manage risk.

Farm Africa's approach is to recognise and accept an appropriate level of risk, in particular ensuring that risk management does not deter innovation and learning. The board fully supports this strategy, and is satisfied that the management systems in place provide reasonable assurance that identifiable risks are managed appropriately.

CHARITY GOVERNANCE CODE

In order to follow best practice in standards of charity governance, Farm Africa completed a self assessment against the updated Charity Governance Code. The core substance of the code consists of seven key principles. These are underpinned by the core role and responsibility of the trustees:

1. Organisational purpose
2. Leadership
3. Integrity
4. Decision-making, risk and control
5. Board effectiveness
6. Diversity
7. Openness and accountability

Self-assessment summary

- Overall Farm Africa meets a very significant proportion of the recommended and best practice for governance contained within the code across the seven areas;
- There is some room for enhancing reporting of both project performance and impact metrics to the board;
- There are some incremental improvements to be made to our governance processes: such as ensuring the FRAC chair meets with the auditors independently of senior management on an annual basis, and establishing a central register of policies and processes; and
- There is the potential to define and codify Farm Africa's overall approach to transparency.

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
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

Opinion

We have audited the financial statements of Farm Africa Limited for the year ended 31 December 2017 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

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 2017 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable company's ability to continue to adopt the going concern basis of accounting for a

period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 33 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's or the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Nicola May
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

12 June 2018.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating Income and Expenditure account) for the year ended 31 December 2017

		2017			2016		
	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	**2,266**	**-**	**2,266**	4,374	-	4,374
Charitable activities							
General		**-**	**9,654**	**9,654**	-	10,348	10,348
Social enterprise trading income		**1,968**	**766**	**2,734**	1,787	1,287	3,074
Total income from charitable activities	3	**1,968**	**10,420**	**12,388**	1,787	11,635	13,422
Other trading activities	4	**41**	**-**	**41**	65	-	65
Investments	4	**1**	**-**	**1**	4	-	4
Other income	4	**20**	**-**	**20**	35	-	35
Total income		**4,296**	**10,420**	**14,716**	6,265	11,635	17,900
EXPENDITURE ON							
Raising funds	6	**766**	**-**	**766**	904	-	904
Charitable activities							
Social enterprise		**2,565**	**895**	**3,460**	2,870	450	3,320
Agriculture		**496**	**2,476**	**2,972**	1,065	2,192	3,257
Business		**736**	**5,222**	**5,958**	1,233	3,857	5,090
Environment		**509**	**2,781**	**3,290**	1,010	2,930	3,940
Total expenditure on charitable activities	7	**4,306**	**11,374**	**15,680**	6,178	9,429	15,607
Total expenditure		**5,072**	**11,374**	**16,446**	7,082	9,429	16,511
Net income/ (expenditure) for the year	5	**(776)**	**(954)**	**(1,730)**	(817)	2,206	1,389
(Surplus)/ deficit attributable to the minority		**98**	**19**	**117**	173	(134)	39
(Surplus)/ deficit attributable to the parent		**(678)**	**(935)**	**(1,613)**	(644)	2,072	1,428
Other recognised gains and losses							
Exchange differences on revaluation of subsidiary	18	**-**	**64**	**64**	-	22	22
Transfers between funds							
Net movements on funds		**(678)**	**(871)**	**(1,549)**	(644)	2,094	1,450
Total funds brought forward		**1,644**	**4,522**	**6,166**	2,288	2,428	4,716
Total funds carried forward	18	**966**	**3,651**	**4,617**	1,644	4,522	6,166

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 41 to 57 form an integral part of these financial statements.

CONSOLIDATED & CHARITY BALANCE SHEETS

As at 31 December 2017

	Notes	2017 Group £'000	2017 Charity £'000	2016 Group £'000	2016 Charity £'000
FIXED ASSETS					
Tangible assets	11	**521**	**28**	507	41
Intangible assets	12	**28**	**-**	36	-
Investments (social)	13	**-**	**1**	-	1
		549	**29**	543	42
CURRENT ASSETS					
Stock: goods for resale		**329**	**-**	452	-
Debtors	14	**1,102**	**1,100**	1,786	1,705
Cash at bank and in hand		**5,276**	**4,475**	5,819	4,830
Short term deposits		**617**	**617**	637	637
		7,324	**6,192**	8,694	7,172
Creditors					
Amounts falling due within one year	15	**(2,075)**	**(984)**	(1,827)	(965)
Net current assets		**5,249**	**5,208**	6,867	6,207
Total assets less current liabilities		**5,798**	**5,237**	7,410	6,249
Creditors: amounts falling due in more than one year	16	**(1,016)**	**-**	(739)	-
Provisions for liabilities and charges	17	**(233)**	**(233)**	(278)	(278)
NET ASSETS		**4,549**	**5,004**	6,393	5,971
Net assets attributable to the minority interest	19	**68**		(227)	
		4,617		6,166	
THE FUNDS OF THE CHARITY					
Restricted funds	18	**3,651**	**3,078**	4,522	3,904
Unrestricted funds	18				
- General funds		**1,717**	**1,755**	1,717	1,717
- Designated funds (strategic investment)		**171**	**171**	350	350
- Designated funds (Sidai)		**(922)**	**-**	(423)	-
TOTAL FUNDS	18	**4,617**	**5,004**	6,166	5,971

Approved by the board and authorised for issue on 31 May 2018 and signed on their behalf by:

Richard Macdonald
Chairman

John Shaw
Treasurer

Registered Company No: 01926828

The notes on pages 41 to 57 form an integral part of these financial statements.
The deficit for the financial year dealt with in the financial statements of the parent company was £968,000.

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities:			
Net cash (used in) / provided by operating activities	A	**(595)**	2,532
Cash flows from investing activities:			
Dividends, interest, and rents from investments		**1**	4
Disposal of tangible fixed assets and capital grants		**29**	125
Purchase of tangible fixed assets and capital grants		**(275)**	(260)
Net cash (used in) investing activities		**(245)**	(131)
Cash flows from financing activities:			
Cash inflows from new borrowing		**277**	261
Net cash provided by financing activities		**277**	261
Change in cash and cash equivalents in the reporting period		**(563)**	2,662
Cash and cash equivalents at the beginning of the reporting period		6,456	3,794
Cash and cash equivalents at the end of the reporting period		**5,893**	6,456

NOTES TO THE STATEMENT OF CASHFLOWS

A. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES	2017 £'000	2016 £'000
Net (expenditure) / income for the reporting period (as per the Statement of Financial Activities)	**(1,730)**	1,389
Adjustments for:		
Depreciation	**137**	112
(Profit) on the disposal of fixed assets	**(11)**	-
Decrease in debtors	**684**	427
Increase in creditors falling due within one year	**248**	420
(Decrease) / increase in provisions	**(45)**	98
Decrease in stocks	**123**	90
Dividends, interest and rents from investments	**(1)**	(4)
Net cash (used in) / provided by operating activities	**(595)**	2,532

B. ANALYSIS OF CASH AND CASH EQIVALENTS	2017 £'000	2016 £'000
Short term deposits held in UK	**617**	637
Cash at bank and in hand in the UK and overseas	**5,276**	5,819
	5,893	6,456

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 17 to 18.

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 pages 26 to 27. There are no material uncertainties about the charity's ability to continue as a going concern.

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 deficit of the charitable company was £968,000 (2016: net surplus £1,021,000)[8].

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 which 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 uncertainty 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.

[8] The overall result of the charitable company is a combination of the unrestricted and restricted fund surplus or deficit. The nature of the restricted grants and timing of income recognition of restricted income vary significantly year by year. For example in some years restricted grant funding is received in advance on a number of grants and in others the income already received is spent. Therefore there are significant variations in the overall surplus or deficit of the charitable company.

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, there is probability of receipt and the amount is measurable.

In respect of legacy income we consider this to be the earlier of (a) receipt of the income; and (b) grant of probate, confirmation from the executors that there are sufficient assets in the estate (after settling any liabilities) to pay the legacy, and that any conditions attached to the legacy are either within the control of the charity or have been met. Additionally with regard to residuary legacies we consider the amount is measurable where it has been calculated independently by the executors and the estate's assets can be measured with sufficient reliability.

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.

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.

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 income and food 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) Intangible fixed assets

Intangible fixed assets represent the costs associated with acquiring and bringing in to use computer software licences. Amortisation is calculated using the reducing balance method (at 30% per annum) to write down the cost to its estimated residual value.

k) Stock: goods for resale

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

l) Provisions

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

m) 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 and subsequently measured at amortised cost. Details and carrying value of these financial assets and liabilities are given in notes 11 to 17.

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

2. INCOME FROM DONATIONS AND LEGACIES

	Unrestricted funds 2017 £'000	**Restricted funds 2017 £'000**	**Total funds 2017 £'000**	Total funds 2016 £'000
General				
Committed giving	**562**	**-**	**562**	592
Appeals and donations	**679**	**-**	**679**	738
Legacies	**506**	**-**	**506**	233
Fundraising events	**206**	**-**	**206**	270
Corporate donations	**143**	**-**	**143**	55
Gifts in kind: donated services	**93**	**-**	**93**	108
	2,189	**-**	**2,189**	1,996
Grants				
DFID programme partnership arrangement	**-**	**-**	**-**	2,309
Trusts and foundations	**77**	**-**	**77**	69
	77	**-**	**77**	2,378
Total donations and legacies	**2,266**	**-**	**2,266**	4,374

3. INCOME FROM CHARITABLE ACTIVITIES:

	Restricted funds 2017	Restricted funds 2016
Grants from government, institutional and other similar donors	**£’000**	£’000
Adeso	**51**	454
Agricultural Markets Development Trust	**394**	-
Ajahma Charitable Trust	**60**	60
Aldi	**90**	78
Amref	**60**	56
Ashden Trust	**-**	52
Barr Foundation	**161**	-
Bill & Melinda Gates Foundation	**607**	818
Big Lottery Fund	**86**	166
Comic Relief	**310**	529
Conservation International	**92**	-
European Union	**161**	1,444
Embassy of Ireland to Ethiopia	**-**	160
Food and Agricultural Organisation of the United Nations	**-**	48
Guernsey Overseas Aid Commission	**29**	-
Jersey Overseas Aid Commission	**-**	78
ICRISAT	**76**	-
ILRI	**93**	-
Mark Anthony Trust	**25**	-
Medicor Foundation	**93**	-
Netherlands Embassy of Kenya	**1,075**	1,050
Packard Foundation	**133**	-
Palladium	**54**	-
Red Een Kind	**126**	75
Royal Norwegian Embassy	**189**	636
Slovak Aid	**219**	-
SOS Sahel	**224**	313
Swedish International Development Co-operation Agency	**1,781**	1,294
Waitrose Foundation	**44**	-
UK aid from the Department for International Development – Building resilience & food secure households in Tigray	**66**	133
UK aid from the Department for International Development - BRACED	**2,856**	2,914
UK aid from the Department for International Development - FoodTrade	**1,202**	1,200
Other international agencies and other donors	**63**	77
Total grants from government, institutional and other similar donors	**10,420**	11,635
Other social enterprise trading income*	**1,968**	1,787
Total income from charitable activities	**12,388**	13,422

All income from charitable activities is restricted except where indicated *.

4. OTHER INCOME

	Unrestricted funds 2017 £'000	Restricted funds 2017 £'000	Total funds 2017 £'000	Total funds 2016 £'000
Other trading activities				
Community fundraising	**-**	**-**	**-**	1
Trading	**41**	**-**	**41**	64
	41	**-**	**41**	65
Investment income				
Deposit interest	**1**	**-**	**1**	4
	1	**-**	**1**	4
Other income				
Sub-lease of office space and other miscellaneous income	**9**	**-**	**9**	-
Profit on sale of assets	**11**	**-**	**11**	35
	20	**-**	**20**	35
	62	**-**	**62**	104

5. NET INCOME FOR THE YEAR

This is stated after charging:	Total 2017 £'000	Total 2016 £'000
Depreciation and amortisation	**137**	112
Payments under operating leases	**34**	63
Auditor's remuneration for the annual external audit:		
Charitable company	**25**	24
Subsidiary companies	**11**	12

6. EXPENDITURE ON RAISING FUNDS

	2017 £'000	2016 £'000
Donations and legacies		
Fundraising costs	**614**	767
Support costs allocated (note 9)	**49**	57
	663	824
Charitable activities		
Fundraising costs	**15**	24
Support costs allocated (note 9)	**1**	2
	16	26
Other trading activities		
Fundraising costs	**81**	50
Support costs allocated (note 9)	**6**	4
	87	54
Total	**766**	904

7. EXPENDITURE ON CHARITABLE ACTIVITIES

	Operational programmes £'000	**Grants payable £'000 (note 8)**	**Support costs* £'000 (note 9)**	**Total 2017 £'000**	Total 2016 £'000
Social enterprises	3,460	-	-	**3,460**	3,320
Agriculture	1,976	775	221	**2,972**	3,257
Business	3,730	1,783	445	**5,958**	5,086
Environment	2,052	993	245	**3,290**	3,944
	11,218	**3,551**	**911**	**15,680**	15,607

The sub-headings used to analyse expenditure on charitable activities have been revised to align with the organisation's three strategic and programmatic pillars: agriculture, business, and the environment. The sub-heading corresponding to our social enterprise in Kenya remains unchanged.

* 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 TO PARTNER ORGANISATIONS

	2017 £000	2016 £000
Europe		
Self Help Africa	**-**	1,125
Ethiopia projects		
SOS Sahel	**88**	-
PHE Ethiopia Consortium	**85**	127
International Water Management Institute	**128**	308
Frankfurt Zoological Society	**186**	434
Mercy Corps	**1,330**	624
Lion's Head Global Partners	**72**	-
LTS International	**74**	-
Union of Ethiopia Women Charitable Association	**127**	-
Assosa Environmental Protection Association	**-**	20
Kenya projects		
Kitui Development Centre	**-**	47
BoP Innovation Centre	**185**	66
Centre for Development Innovation	**22**	18
Larive International B.V.	**123**	65
Stichting PUM	**34**	40
World Fish Centre	**48**	33
Tanzania projects		
Agrics	**44**	-
Cosita	**67**	86
Inades	**142**	137
Mviwata	**9**	41
Trufood	**1**	30
VredesEilanden Country Office (East Africa)	**239**	92

Rural Urban Development Initiatives	**168**	290
Sokoine University Graduate Entrepreneurs Co-operative	**94**	46
Uganda projects		
Katine	**6**	-
SORUDA	**14**	-
VredesEilanden Country Office (East Africa)	**265**	200
	3,551	3,829

Grants were payable during the year to partners working on restricted projects. At year end there were six payments totalling £575,000 outstanding to Mercy Corps, VredesEilanden Country Office (East Africa), PHE Ethiopia Consortium, International Water Management Institute, Lion's Head Global Partners and LTS International (2016: £546,000 outstanding to Mercy Corps).

9. ANALYSIS OF SUPPORT COSTS

	Mgt costs £'000	**Office costs £'000**	**Finance & IT £'000**	**HR costs £'000**	**Gov costs £'000**	**Total 2017 £'000**	Total 2016 £'000
Charitable activities							
Agriculture	**37**	**46**	**99**	**28**	**11**	**221**	224
Business	**74**	**93**	**199**	**56**	**23**	**445**	350
Environment	**41**	**51**	**110**	**31**	**12**	**245**	271
	152	**190**	**408**	**115**	**46**	**911**	845
Expenditure on raising funds							
Donations and legacies	**8**	**11**	**21**	**6**	**3**	**49**	58
Charitable activities	**-**	**-**	**1**	**-**	**-**	**1**	2
Other trading activities	**1**	**1**	**3**	**1**	**-**	**6**	4
	9	**12**	**25**	**7**	**3**	**56**	64
	161	**202**	**433**	**122**	**49**	**967**	909

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

	2017 £'000	2016 £'000
Staff costs		
Wages and salaries (including life assurance)		
Overseas contracted staff	**3,884**	3,373
UK contracted staff	**1,386**	1,681
	5,270	5,054
Social security costs	**142**	175
Pension costs	**79**	50
	5,491	5,279

Wages and salaries includes £nil (2016: £33,000) 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 Director of Resources, the Director of External Relations, the Director of Programmes, and Country Directors. The total employee benefits paid to these individuals (including employer's pension and national insurance) was £585,000 (2016 re-stated: £678,000).

	2017 No.	2016 No.
Employees with remuneration in the range of £60,001 to £70,000	**3**	1
Employees with remuneration in the range of £70,001 to £80,000	**2**	3
Employees with remuneration in the range of £80,001 to £90,000	**-**	3
Employees with remuneration in the range of £90,001 to £100,000	**1**	-

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

	2017 No.	2016 No.
Overseas contracted staff		
Farm Africa	**155**	139
Sidai Kenya	**94**	60
UK contracted staff:		
Fundraising and communications	**13**	17
Programmes support	**6**	11
Management and administration of charity	**10**	9
	278	236

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

Two trustees were reimbursed £3,000 (2016: £3,000) in travel expenses incurred on behalf of the organisation. In addition, £7,000 travel costs were paid directly to suppliers (2016: £12,000) in respect of one non-UK based trustee travelling to board meetings in the UK. The cost incurred by the charity for the trustee indemnity insurance was £1,000 in 2017 (2016: £1,000).

Farm Africa makes contributions for its employees to various defined contribution schemes. The amount of contributions due to these schemes at the year end 31 December 2017 was £11,000 (2016: £76,000).

11. TANGIBLE FIXED ASSETS

Group

	Leasehold Improvements £'000	Vehicles £'000	Machinery & Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2017	174	369	276	171	990
Exchange differences	(8)	(33)	(22)	(5)	(68)
Additions	35	99	43	26	203
Disposals	-	(26)	(1)	(2)	(29)
At 31 December 2017	**201**	**409**	**296**	**190**	**1096**
Depreciation					
At 1 January 2017	(93)	(154)	(114)	(122)	(483)
Exchange differences	2	14	7	3	26
Disposals	-	7	-	1	8
Charge for the year	(29)	(52)	(22)	(23)	(126)
At 31 December 2017	**(120)**	**(185)**	**(129)**	**(141)**	**(575)**
Net book value					
At 31 December 2017	**81**	**224**	**167**	**49**	**521**
At 31 December 2016	81	215	162	49	507

Charity

	Leasehold Improvements £'000	Vehicles £'000	Machinery & Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2017	82	-	40	117	239
Additions	-	7	2	11	20
Disposals	-	-	-	(1)	(1)
At 31 December 2017	**82**	**7**	**42**	**127**	**258**
Depreciation					
At 1 January 2017	(66)	-	(38)	(94)	(198)
Charge for the year	(15)	(2)	(2)	(14)	(33)
Disposals	-	-	-	1	1
At 31 December 2017	**(81)**	**(2)**	**(40)**	**(107)**	**(230)**
Net book value					
At 31 December 2017	**1**	**5**	**2**	**20**	**28**
At 31 December 2016	16	-	2	23	41

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 £1,117,000 (2016: £1,274,000). The accounting policy relating to fixed assets is referred to in note 1(i).

12. INTANGIBLE FIXED ASSETS

Group

	Software £'000
Cost	
At 1 January 2017	64
Exchange differences	(6)
Additions	6
Disposals	-
At 31 December 2017	**64**
Amortisation	
At 1 January 2017	(28)
Exchange differences	3
Charge for the year	(11)
Disposals	-
At 31 December 2017	**(36)**
Net book value	
At 31 December 2017	**28**
At 31 December 2016	36

Intangible fixed assets comprise acquired application software for accounting, sales and payroll. There are no intangible fixed assets held by the Charity.

13. INVESTMENTS

	Investment in subsidiary undertakings £'000
Net book value	
At 1 January 2017	1
Increase / (decrease) in investment value	-
At 31 December 2017	1

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 Enterprises Limited	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	796,073 shares owned by Sidai Africa & 1 share owned by Farm Africa[9]	Provision of veterinary services

[9] Sidai Africa (Kenya) Limited is 100% owned by Sidai Africa Limited. Sidai Africa is 84% owned by Farm Africa and 16% owned by the AH Lundin Foundation.

* Registered office: 9th Floor, Bastion House, 140 London Wall, London EC2Y 5DN
** Registered office: 2nd Floor, Axis Kenya Centre, Ring Road, Westlands, PO Box 41968, 00100 Nairobi

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

	Sidai Africa (Kenya) Limited		**Sidai Africa Limited**		**Farm Africa Trading Limited**	
	2017	2016	**2017**	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Total incoming resources	**2,900**	2,248	**160**	-	**77**	65
Total resources expended	**(3,480)**	(3,217)	**(159)**	(96)	**(99)**	(77)
Retained surplus/(deficit) for the year	**(580)**	(969)	**1**	(96)	**(22)**	(12)
Total assets	**1,713**	2,070	**187**	13	**142**	150
Total liabilities	**(2,690)**	(2,530)	**(214)**	(42)	**(176)**	(162)
	(977)	(460)	**(27)**	(29)	**(34)**	(12)

14. DEBTORS

	2017 Group	**2017 Charity**	2016 Group	2016 Charity
	£'000	**£'000**	£'000	£'000
Amounts owed by subsidiary undertakings	**-**	**252**	-	155
Trade debtors	**192**	**111**	74	4
Other debtors	**296**	**123**	234	72
Prepayments	**83**	**83**	113	113
Accrued income – other	**328**	**328**	141	137
Accrued income – project grants	**203**	**203**	1,224	1,224
	1,102	**1,100**	1,786	1,705

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 Group	**2017 Charity**	2016 Group	2016 Charity
	£'000	**£'000**	£'000	£'000
Trade creditors	**658**	**13**	466	21
Deferred income	**176**	**-**	-	-
Other creditors and accruals	**397**	**390**	372	355
Loan from Adolf H. Lundin Charitable Foundation	**184**	**-**	373	-
Grant obligations	**575**	**575**	547	547
Other tax and social security costs	**23**	**6**	46	42
Bank loan	**62**	**-**	23	-
	2,075	**984**	1,827	965

Charity and Group	2017	2016
	£'000	£'000
At 1 January	**546**	-
Grants paid to partners in settlement of obligations at year-end	**(546)**	-
New grant obligations	**575**	546
As at 31 December	**575**	546

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

	2017 Group £'000	2017 Charity £'000	2016 Group £'000	2016 Charity £'000
Loan from the Adolf H. Lundin Charitable foundation to Sidai Africa (Kenya) Limited	**1,016**	**-**	739	-

The above loan represents three loan agreements. The first is a 5 year $1m loan facility signed in October 2014. The repayment is required to 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.

The second and third represent $180,000 and $260,000 loan facilities signed on 20 April 2016 and 13 July 2016 respectively. The repayment is required to 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 9% per annum.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Charity and Group	Severance	Payment by Results	Legal actions	South Sudan	Dilaps	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
At 1 January	82	90	57	34	15	**278**	180
Amounts released to the statement of financial activities	-	-	(8)	-	-	**(8)**	(176)
Amount charged to the statement of financial activities	88	-	-	-	-	**88**	274
Amounts used during the year	(98)	-	(27)	-	-	**(125)**	-
As at 31 December	**72**	**90**	**22**	**34**	**15**	**233**	278

Provisions comprise the following:

- Contract severance provisions for staff on non-UK contracts. Under employment law in some of the countries where Farm Africa operates there is an entitlement to severance payments when an employee leaves. The amount payable is determined by the salary and length of service of each employee. The provision represents the accumulated entitlements of all such employees. The provision is released when payments are made to employees upon their departure from Farm Africa.

- A provision in respect of a grant containing a payment by results (PBR) element. The provision represents a proportion of the grant income which could be withheld by the donor if performance-related targets for the grant were not met. The provision is released once the grant agreement expires and the project has concluded.
- Provisions for potential costs arising from legal actions overseas. The provision represents a prudent estimate of the potential future cost in the event that Farm Africa is not successful. This is calculated taking in to account the probability of an adverse outcome to Farm Africa and an estimate of the size of the financial impact. Provisions are released once legal actions are concluded.
- A provision for probable future costs in respect of Farm Africa's previous activities in South Sudan (Farm Africa ceased operations in South Sudan due to the unstable operating context). The provision includes an estimate of costs relating to the storage and repatriation of project documentation. The provision will be released once the documents have been repatriated to the UK, or once it no longer becomes necessary to do so, and there are no other probable liabilities.
- Dilapidation provisions to cover estimated future costs of restoring properties to their required condition at the end of their lease. The provision will be released at the end of the lease, based on dilapidation costs required, provided the lease is not renewed.

18. MOVEMENTS IN FUNDS

	At 1 January 2017	Income	Expenditure	On revaluation	Minority Interest[10]	**At 31 December 2017**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Ethiopian programmes	3,054	5,801	(6,017)	-	-	**2,838**
Kenyan programmes	131	1,791	(1,809)	-	-	**113**
Tanzanian programmes	546	1,973	(2,572)	-	-	**(53)**
Uganda programmes	61	89	(81)	-	-	**69**
Sidai programme	619	766	(895)	64	19	**573**
Forestry programme	59	-	-	-	-	**59**
Other miscellaneous restricted funds	52	-	-	-	-	**52**
Movement on restricted reserves	4,522	10,420	(11,374)	64	19	**3,651**
Designated funds – strategic investment	350	-	(179)	-	-	**171**
Designated funds – Sidai Africa	(423)	1,968	(2,565)	-	98	**(922)**
General funds	1,717	2,328	(2,328)	-	-	**1,717**
Movement on unrestricted reserves	1,644	4,296	(5,072)	-	98	**966**
Total movement on reserves	6,166	14,716	(16,446)	64	117	**4,617**

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.

[10] This relates to the 16% share owned by the AH Lundin Foundation

As at 31 December 2016, we chose to designate £350,000 for to smooth the transition in Farm Africa's unrestricted funds budget following the completion of the PPA funding period. In 2017 we utilised £165,000 of this designated fund for certain costs incurred during the transition phase. As at 31 December 2017 the remaining balance on this fund was £185,000.

The designated funds set aside for Sidai Africa represent the net assets of the subsidiary within the consolidated financial statements less any restricted funds received specifically to fund Sidai's activities.

The movements in funds in 2016 are presented below.

	At 1 January 2016	Income	Expenditure	On revaluation	Minority Interest[11]	At 31 December 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Ethiopian programmes	1,962	6,667	(5,575)	-	-	3,054
Kenyan programmes	266	1,578	(1,713)	-	-	131
Tanzanian programmes	191	2,043	(1,688)	-	-	546
Uganda programmes	4	60	(3)	-	-	61
Sidai programme	(106)	1,287	(450)	22	(134)	619
Forestry programme	59	-	-	-	-	59
Other miscellaneous restricted funds	52	-	-	-	-	52
Movement on restricted reserves	2,428	11,635	(9,429)	22	(134)	4,522
Designated funds – strategic investment	560	2,309	(2,519)	-	-	350
Designated funds – Sidai Africa	486	1,787	(2,869)	-	173	(423)
General funds	1,242	2,169	(1,694)	-	-	1,717
Movement on unrestricted reserves	2,288	6,265	(7,082)	-	173	1,644
Total movement on reserves	4,716	17,900	(16,511)	22	39	6,166

19. MINORITY INTEREST

	Unrestricted Funds	Restricted Funds	Total Funds
	£'000	£'000	£'000
At 1 January 2017	(60)	287	227
Movement in the year	(87)	(72)	(159)
At 31 December 2017	**(147)**	**215**	**68**

[11] This relates to the 16% share owned by the AH Lundin Foundation

20. NET ASSETS ANALYSIS (GROUP)

	Unrestricted Funds	Restricted Funds	Total Funds
Fund balances at 31 December 2017	£'000	£'000	£'000
are represented by:			
Tangible and intangible fixed assets	549		549
Net current assets	417	3,651	4,068
	966	**3,651**	**4,617**

	Unrestricted Funds	Restricted Funds	Total Funds
Fund balances at 31 December 2016	£'000	£'000	£'000
are represented by:			
Tangible and intangible fixed assets	543		543
Net current assets	1,101	4,522	5,623
	1,644	4,522	6,166

21. CONSTITUTION

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

22. COMMITMENTS: OPERATING LEASES

At 31 December 2017, Farm Africa has the following commitments under non-cancellable operating leases:

	Equipment	**Property**	**2017 Total**	2016 Total
	£'000	**£'000**	**£'000**	£'000
In less than 1 year	**12**	**99**	**111**	93
Between one and five years	**28**	**29**	**57**	67
Later than five years	**-**	**-**	**-**	-
	40	**128**	**168**	160

23. RELATED PARTY TRANSACTIONS

There were no related party transactions requiring disclosure other than transactions with subsidiaries (2016: none).

Farm Africa charged a service fee of £26,000 (2016: £11,000) and also paid costs totalling £10,000 (2016: £3,000) on behalf of Sidai Africa. At 31 December 2017, Sidai Africa owed £62,000 (2016: £14,000) 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 2017 Sidai Africa (Kenya) owed Farm Africa £26,000 in respect of these items (2016: £9,000).

Farm Africa Limited charged a management fee of £19,000 (2016: £16,000) to Farm Africa Trading Limited. At 31 December 2017, Farm Africa Trading owed £173,000 (2016: £148,000) to Farm Africa Limited. Farm Africa Trading will make a donation of £nil (2016: £nil) to Farm Africa in 2016.

24. PARENT COMPANY RESULT

The parent company generated a deficit of £968,000 (2016: surplus £1,021,000).

The overall result of the charitable company is a combination of the unrestricted and restricted fund surplus or deficit. The nature of the restricted grants and timing of income recognition of restricted income vary significantly year by year. For example in some years restricted grant funding is received in advance on a number of grants and in others the income already received is spent. Therefore there are significant variations in the overall surplus or deficit of the charitable company.

25. PENSION COSTS

As at 31 December 2017, 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.

The pension cost included in the Statement of Financial Activities for UK employees was £79,000 (2016: £103,000).

26. LEGACIES

There were no legacies (2016: £nil) notified to the charity that did not meet the recognition criteria, and therefore all legacies notified to the charity been accounted for within these financial statements.

27. CAPITAL COMMITMENTS

There were no capital commitments outstanding as at 31 December 2017 (2016: none).