FARM AFRICA

2019 Annual Report and Financial Statements

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Trustees' Report

Report of the Chair

Welcome to Farm Africa's Annual Report, the first report I have the pleasure of putting my name to since assuming the role of Chair in July 2019.

As I write this letter in mid-2020, Farm Africa's support to farmers and farming communities in eastern Africa is now more relevant than ever as the Covid-19 pandemic, the desert locust invasion, and severe floods pose threats to livelihoods and food security across the region.

Our teams have moved quickly to adapt our programmes to Covid-19 and respond to a drop in funding. As we continue to work : with farmers to deliver essential services, we are prioritising staff and farmer health by streamlining activities and introducing additional hygiene and distancing measures.

To help cushion the loss of events-based fundraising we have cut costs, including temporarily furloughing some UK staff, and in the short term we are drawing on the reserves kept back for such situations.

Crises such as the pandemic highlight how vital our work is to build the resilience of vulnerable communities. Everything that Farm Africa has done to help those living in rural areas increase their yields, incomes and savings, and protect their natural resources, means that they will be better able to absorb and adapt to the shocks brought by the pandemic, locust invasion, and floods.

As we look back on 2019, we are proud of the part we have played in helping people achieve their potential to sustainably push up yields and profits, while conserving the environment for generations to come.

I'd like to thank Richard Macdonald, my predecessor as Chair, for his dedication to Farm Africa over his nine-year period as a trustee, and for his support to me in taking over the role. I also thank Jonathan Kydd, who retired as Deputy Chair last year; Nicolas Mounard, our Chief Executive since 2016, who also left us during the year; and Mike Saxton, who took over as Interim Chief Executive, for their contributions.

In the spring of 2020 we welcomed Dan Collison as Farm Africa's new Chief Executive. Dan brings great energy as well as experience to the role. He is already making a difference and gives us growing confidence about the future of the organisation, despite the challenging environment. I'd also like to thank Judith Batchelar, a trustee since 2012, for taking on the role of Deputy Chair.

This report focuses on four of our current projects including horticulture and cashew production in Kenya, and empowering women to fight climate change in Ethiopia; each of these case studies offers examples of the many ways we are helping transform lives across eastern Africa.

Finally, I'd like to pay tribute to the many people who support our work. From Suffolk farmer Giles Abrey, who flew solo from the UK to South Africa in a plane he built himself, to NFU President Minette Batters who took time out from her incredibly busy schedule to run the London Marathon for Farm Africa, to those committed givers who donate each month or plan to leave a legacy, we extend our heartfelt appreciation for all you do. Your support is needed now more than ever.

John Reizenstein

John Reizenstein

Chair

26 June 2020

Strategic Report

In this section we set out Farm Africa's mission, values, and strategic goals. We then describe its activities, illustrating these through a number of case studies focusing on specific projects. Finally we summarise Farm Africa's achievements against its objectives set for the year, and look ahead to its goals for 2020.

Vision, mission and values

Effective agriculture has the power to change lives. It underpins prosperity, food security and stability the world over. Farm Africa focuses on transforming agriculture and managing natural resources sustainably. We champion a holistic approach that boosts yields, protects the environment and connects smallholder farmers to thriving markets.

We work with different types of farmers in a range of regions. Their local situations vary, but the problems they face are all too familiar: lack of training and technology; inadequate inputs; no finance; vulnerability to climate change; and poor links to markets.

We have an ambitious strategy to expand our work and increase our impact: to lift more communities out of poverty; to open up more agricultural markets; to provide more expertise and help safeguard natural resources.

Our mission

We drive agricultural and environmental change to improve lives.

Our strategy has three pillars:

- Agricultural expertise;
- Management and preservation of ecosystems; and
- The power of business to drive prosperity.

Our values

- **Expert**: Deep expertise and insightful evidence-based solutions are at the heart of everything Farm Africa does;
- **Grounded**: Positive change starts with Africa's people, so our experts work closely with local communities, engaging them in every level of decision-making;
- **Impactful**: We take a long-term view so we can deliver lasting changes for farmers and their families;
- **Bold**: We model innovative new approaches and are not afraid to challenge strategies that are failing.

2016 – 2020 strategy

In 2016 we published our 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.

How we work

The strategy sets out how we seek to achieve this through our work on the ground. Our programmatic approaches are described below.

Agriculture

- **Technology**. Yields from smallholder crop production in eastern Africa are typically only 20-30% of what could be produced if the best seeds, fertilisers, pest control, agronomic and water management practices were applied. Facilitating smallholders' uptake of appropriate technologies is crucial to making African farmers thrive. Farm Africa promotes innovations that allow farmers to make the most of their land and labour, enhances their capacity to adapt and design innovations, and improves supply chains so that high-quality inputs are more readily available.
- **Climate smart agriculture**. Few groups are hit harder by extreme weather than African smallholder farmers, making their livelihoods and food security particularly vulnerable to the effects of climate change. Farm Africa's approach to climate-smart agriculture combines community knowledge with the power of the market to build rural communities' resilience to current climate shocks, in preparation for shifting climate patterns, all while minimising agriculture's environmental impact.
- **Land, water and environment**. One good harvest is not enough. Farm Africa equips smallholder farmers with the skills and knowledge to sustainably manage the natural resources they rely on to achieve good harvests year after year.

Environment

- **Ecosystems and integrated landscape management**. What happens in one part of the landscape has knock-on effects elsewhere. Introducing pesticides to improve crop yields may kill vital predators that control pests on other crops. Diverting water from one source means those relying on the water elsewhere may suffer. Farm Africa takes a holistic approach to reconcile competing objectives between different land users. We help people better manage the impact they have on other communities, identify opportunities for business development and coordinate actions amongst groups of land users to promote cooperation and manage conflict. We help develop strong local landscape management institutions that deliver long-term environmental and economic benefits to local communities.

- **Grazing land management**. Eastern Africa's drylands are home to millions of pastoralists who migrate with their herds seeking water and pasture for their livestock. The sophisticated commons systems that have for centuries provided resilient livelihoods are struggling to cope under the weight of new pressures. Population growth and economic challenges have disturbed the balance between the needs of individual herders and the need to sustain communal grazing lands. Farm Africa addresses these concerns to ensure that rangelands are managed sustainably.
- **Participatory forest management**. Africa's forests are at risk, with large swathes of forest territories being axed for firewood or converted into agricultural land. Their disappearance is endangering water, food and energy security and contributing to climate change. Farm Africa develops economic incentives for communities to sustainably manage and protect forests by helping them to earn a living from forest-friendly businesses, like wild coffee harvesting and beekeeping.

Business

- **Trade**. There is a strong push from the food industry to source produce from smallholders. Farm Africa responds to this demand by strengthening the links between smallholders, agribusinesses and retailers. Whether it's premium coffee in Ethiopia or the lucrative French bean in Kenya, we help rural communities identify and tap in to consumer demand so they can sell more and sell for more.
- **Access to finance**. Despite agriculture being the mainstay of eastern Africa's economy, the sector remains underserved by the financial industry. Smallholders and agribusinesses lack the financial products they need to develop profitable and sustainable enterprises. Yet banks are hungry for more customers. Farm Africa works in between the financial and agricultural sectors to match supply with demand and find products that meet the needs of both groups.
- **Business development**. Rural enterprises vary widely in size, specialism and capacity for growth. Many small businesses lack the basic skills they need to expand operations or develop their business model. We support the start-up of new agribusinesses, improve their sales capacity and foster sustainable trading relationships between agribusinesses and smallholders.

Our activities and achievements

Farm Africa's programmes have continued to benefit smallholder farmers and their communities in 2019. We managed a total of 34 projects across five countries, including our first ever in the Democratic Republic of Congo. Our work continues to address each pillar of our strategy, from the construction of irrigation systems for smallholder farmers in Ethiopia to trade and business development skills training for rural sunflower processors in Tanzania.

This section describes in more detail on the impact our projects have had on communities across east Africa, focusing on four projects.

A business approach to horticulture in Kenya

Farm Africa is inspiring smallholder farmers in rural Kenya to engage in market-led horticulture production and is showcasing how young people can build thriving agribusinesses.

"Even though I'm a graduate, it's a nightmare to get a job in Kenya without connections," recounted 25-year-old Moses from western Kenya. Despite Moses' hopes that a university education would lead to a white-collar job not coming to fruition, he is now gainfully employed in a horticulture business he built on his family's farm with support from Farm Africa's Growing Futures project.

Young people like Moses should be the first to benefit from rural Africa's emerging links to markets and employment opportunities from private investment in agriculture. However, a lack of knowledge around quality requirements, access to finance and experience in engaging with private buyers means that most young people are held back from making a success of commercial agriculture.

Moses is one of 2,400 young people in Trans Nzoia county who Farm Africa is supporting with funding from the Medicor Foundation. We're helping them to increase their households' incomes by growing vegetables that they sell commercially to local and export markets.

Building technical skills

Since Trans Nzoia largely produces maize, a food security crop for the domestic market, few farmers had knowledge on how to grow vegetables that meet the specifications demanded by the export fruit and vegetable market. Farm Africa collaborates with market actors and government extension officers to deliver sequential technical training on topics such as pest and disease management, soil science, crop nutrition, safe use of plant protection products, harvesting and post-harvest management. This training has enabled groups of young farmers to develop their agronomic skills and comply with international market standards such as Global G.A.P (Good Agricultural Practices).

The training is being disseminated through 106 champion farmers who were provided with start-up inputs such as seeds and fertiliser so they could use their farms as demonstration plots where other group members could learn good agricultural practices. Twenty-eight of the champion farmers were trained as Quality Controllers, responsible for providing support to the farmers on synchronising production schedules to ensure a consistent supply of produce and assisting farmers with quality control.

By the end of 2019, groups' average crop production had risen to 268 metric tonnes (MT) from 22 MT at the start of the project in June 2017. The percentage of produce rejected by buyers fell from 14% to 2% over the same period.

Access to technology

Farm Africa is helping the farmers' groups gain access to the technology they need to transition to being fully operational commercial smallholders. We have helped farmers adopt sustainable irrigation practices including drip irrigation and solar-powered pumps, and have provided technical training on irrigation agronomy to enable farmers to effectively continue production throughout the dry season.

The construction of four new post-harvest structures is ensuring farmers' fresh produce can be properly handled and stored ahead of collection by the buyers. Grading sheds are used to sort, grade and weigh produce, which is packed in crates and stored in charcoal coolers to maintain its freshness. Chemical stores enable plant protection products to be safely stored, while soakaways mean the chemicals are disposed of in an environmentally friendly way.

A business approach

Farm Africa trained 92 farmer groups, made up of 1,253 men and 1,058 women, using a market-led approach, to enable them to respond to market demand and maximise the total volumes sold. We helped link farmers to buyers by profiling eight value chains: French beans, snow peas, sugar snap and garden peas for the export market and cabbages, tomatoes, kale and potatoes for domestic markets. We used this information to guide the farmers on the acreages to dedicate to different crops and schedules to follow to meet buyers' demand. Business training included modules on financial literacy, budgeting, village savings and loaning associations/table banking, record keeping and gross margin analysis.

As at December 2019, 78% of the groups had working contracts with buyers, and the quantity of produce sold annually had increased from 1,743 MT at the start of the project to 11,549 MT. A household survey showed that average household income of farmers taking part in the project had increased by 35% between June 2017 and June 2019.

> "Farm Africa have taught us about intercropping and the kind of fertilisers to use, and a very important thing they have taught us is about marketing. We have sold the French beans and got real money."
>
> *Moses, Trans Nzioa, Kenya*

Investing in Uganda's young coffee farmers

Farm Africa is helping young people in Kanungu in western Uganda, to make a decent living from the sustainable production and sale of coffee.

Rising youth unemployment is a challenge in Uganda, where 78% of people are under 30.

High demand for coffee, one of Uganda's most profitable crops, should provide good employment opportunities in areas such as Kanungu, in the west of the country, where high altitudes and a tropical climate provide ideal conditions for Arabica and Robusta coffee production. However, limited access to land, quality inputs, processing services, finance and information about coffee production have hindered rural communities, especially young people, from unlocking the lucrative potential of coffee. With co-funding from the European Union, Farm Africa has worked in Kanungu since 2018 to change that.

Poor agricultural practices in Kanungu, such as delays between harvesting and processing, have suppressed the quality of coffee, relegating it to being sold in non-premium markets including those supplying lower grade beans for instant coffee production.

Farm Africa has provided 5,375 farmers, who are members of four different cooperatives across the district, with training in the sustainable production of high-quality coffee so that they can increase their yields and meet the standards of high end speciality coffee markets.

Agronomic training

The training was delivered by 168 trainers, who were given smartphones loaded with an agronomic training app. They repaid the phones' cost by delivering training to at least 30 farmers each. At the end of 2019, more than 80% of the farmers trained were practising three of the recommended common good agricultural practices: weeding, pruning and de-suckering.

There has been a significant improvement in coffee yields achieved per tree with Arabica variety coffee showing a 16% increase in 2019 compared to 2018, while yields per Robusta tree increased by 61%.

Supporting cooperatives

The cooperative staff and leaders received training in record keeping, financial management, and reporting and market facilitation, and were given support to secure loans, which they used to buy coffee from their members.

Between February and October 2019, the cooperatives secured a 14% increase in the price of Arabica coffee sold, while Robusta prices remained constant, with the target of securing a 10% increase in 2020.

Future plans include supporting the cooperatives to increase their working capital and upgrade machinery to enable them to process and trade higher volumes of coffee.

Supporting agribusinesses

In order to ensure coffee farmers can gain access to the goods and services vital to enabling their businesses to thrive, the project is also supporting 10 small and medium enterprises that supply Kanungu's coffee farmers. We've helped the businesses (four coffee hullers, four nursery bed operators that supply seedlings and two agro-input dealers) to develop robust business plans, gain access to finance and build their customer base.

Land use agreements

Coffee farming requires access to land, which is rare for women and young people in Kanungu. Farm Africa has helped overcome this barrier by running 176 workshops promoting voluntary land use agreements where older generations and men voluntarily give women and young people access to land on which to produce coffee. A total of 1,226 land use agreements had been signed by the end of 2019, 70% of which gave women permission to use land, and 30% granted access to land to young people.

Supporting women

A gender analysis study showed that while women contribute 65% of the labour across the coffee value chain in Kanungu, they are rarely involved in planning, management or control of the profits. In 2019, Farm Africa's Coffee is Life UK Aid Match appeal unlocked £242,000 in matched funding from the UK government, which is now being used to run a complementary project in Kanungu exclusively focused on supporting women to thrive in the coffee sector.

Revitalising farming in coastal Kenya through cashews and sesame

Farm Africa is revitalising cashew and sesame production in coastal Kenya, improving the livelihoods of 15,000 smallholder farmers and combating high levels of unemployment and poverty.

Decline in agricultural yields due to extreme weather conditions has weakened the economy in Kenya's coastal region and pushed more people into poverty. In coastal Kenya, 62% of people are living below the poverty line and young people are being hit hard; the country has the highest level of youth unemployment in eastern Africa.

Farm Africa spotted potential in Kenya's cashew industry to improve the livelihoods of smallholder farmers and increase employment opportunities for women and young people.

Coastal Kenya has a higher concentration of cashew nut trees than anywhere else in the country. However, cashew production has been declining over the years. Through a partnership with Ten Senses Africa, Farm Africa is helping farmers living in Kwale, Kilifi and Lamu countries to develop profitable cashew and sesame businesses.

Funded by the European Union, the five-year project has worked with 15,000 farmers, training them in agricultural best practice, agribusiness and financial literacy so that they can become certified organic cashew farmers and command higher prices for their crop. The training focuses on supporting smallholder farmers by giving them the tools to access market opportunities and to establish viable commercial production. Already farmers have seen a 38% increase in their income from organic cashew production, setting them on a high-growth path for the future.

Empowering women and young people

Through a self-help approach, Farm Africa has equipped 1,005 young people and women with the knowledge and tools to set up sustainable income-generating businesses. They have gained skills in nursery establishment, biological pest management, as well as top working and pruning skills to revitalise old trees and increase yields.

Training was given in groups, which enabled participants to form community self-help clusters where they could share their skills and support one another. Between September 2018 and September 2019 youth groups received KSh 95,000 (approximately £730) in income from the sale of cashew, coconut and citrus seedlings. Over the same period those participants working in biological pest management services have generated an income of KSh 42,000 (approximately £320).

One of the key challenges faced by female farmers is access to capital to diversify their incomes, often as a result of lack of collateral that constrains their ability to borrow funds from financial institutions.

Farm Africa has created 23 Village Savings and Loan Associations (VSLAs) so that those who need financial support can access funds to create and develop small businesses. A total of 552 farmers are members of VSLA groups, of whom 90% are women. The VSLA groups provided an average loan size of KSh 8,056 (approximately £60) to members.

Alongside VSLAs Farm Africa has linked youth and women's groups to financial providers so that they can access micro-enterprise funding for the further expansion of their ventures. Three groups have applied for no-interest youth enterprise fund loans worth KSh 300,000 (approximately £2,300) to expand their businesses.

> "Training in nursery management and disease identification has not only provided a source of income for us but also helped us to create employment for others,"
> *Francis Kitetu, a member of Destiny Youth Group in Kwale County*

Female farmers fighting climate change in Ethiopia

Farm Africa is equipping female farmers with the knowledge and tools to champion climate action across five regional states in Ethiopia, mitigating risk by adapting and diversifying income streams.

Ethiopia is one of the most climate vulnerable countries in the world. Unpredictable weather patterns and climate extremes are threatening farmers and pastoralists who rely on rainfall to feed livestock, grow crops and make a living from agriculture.

Changes in climate disproportionately affect women. Low access to credit and technology, and relatively low education levels, expose women to the more negative impacts of climate extremes, as they do not have the tools, opportunities and knowledge to adapt and diversify their income streams.

Small changes to traditional farming practices can lessen the impacts of variable weather conditions on farmers' yields, allowing them to adapt to a changing climate and reduce agriculture's impact on the environment. Farm Africa, with funding from the Swedish government, is working with the Union of Ethiopian Women Charitable Associations (UEWCA) to help women, girls and other vulnerable groups living across Ethiopia adapt to and mitigate against climate change.

Participants understand climate change

Farm Africa has empowered women to be champions for climate action within their communities. The project focuses on building awareness of how to adapt to five key manifestations that are impacting farmers in Ethiopia: more hot days, decreasing rainfall, erratic rains, late rains and frequent droughts. Through local media campaigns, workshops and inter-community conversations, Farm Africa has built awareness among communities of the causes of climate change, its effect and mitigation mechanisms. As of 2019, 65% of households surveyed across participating communities understood the five major climate manifestations that are impacting agriculture which will help them to manage and mitigate these effects over the coming seasons.

Alongside this campaign Farm Africa has set up 120 village level women's discussion groups focused on issues of environmental protection, climate change, sanitation and access to finance. Since the groups were established in 2018, 2,872 women have participated.

Adaptation to changing climates

Climate-smart agricultural training sessions have enabled farmers to intensify crop production and improve their yields while enhancing and protecting natural resources. A total of 270 men and 64 women have been trained in climate-smart agriculture techniques including the use of drought-tolerant varieties of crops, row planting and mulching. Farm Africa worked with government agencies and civil society organisations to improve smallholder farmers' access to drought-tolerant crops and a range of appropriate irrigation and water harvesting technologies.

Thirty-nine VSLAs have been established to save and make funds available in times of need and to invest in one another's businesses. The groups have been trained in financial literacy, record keeping and how to manage savings and loan schemes. So far 792 people are members of VSLAs with a high participation of women, who have taken on leadership roles within the groups.

Through these initiatives, 92% of households have adopted climate-smart practices. Yields have increased per hectare for maize, wheat and broad beans, despite increasingly erratic weather. Maize productivity increased by 67% and wheat production by 59%. Through the project, households have seen an average increase in their annual income by 85% from 18,672 Birr (approximately £430) to 34,608 Birr (approximately £800).

Natural resource management

Farm Africa has been working with farmers, civil society organisations (CSOs), community-based organisations (CBOs) and governments to protect the environment through sustainable forest, watershed and rangeland management. The project provided training and technical support, setting up land use systems and promoting a variety of conservation techniques, such as closing degraded grasslands in order to revitalise them.

A survey of the knowledge, attitude and practices of government staff showed an increased understanding of climate change, climate-smart agriculture and natural resource management. CBOs, CSOs and government offices' capacity to implement the project also increased, from partial capacity to well-developed capacity, meaning they will be well placed to continue supporting communities after the project ends.

Performance against objectives

To aid our planning we have broken down the strategic goals in to a set of annual objectives. These objectives are more specific and time-bound than the strategic goals. The table below sets out how we performed against our key goals for 2019.

Strategic objective	Annual goal	Outcome
Achieving impact at scale	In 2019 we will continue to reach 2.6 million people, and our overall ambition remains to reach 3 million.	In 2019 we revised our methodology for counting numbers of beneficiaries reached We now have more stringent criteria for determining when individuals have directly benefited from our work. A further factor affecting our reach this year was that the new *Supporting Horn of Africa Resilience* (SHARE) project, which will reach large numbers in the Bale eco-region of Ethiopia, began slightly later than planned due to detailed planning required with multiple stakeholders, and had therefore reached fewer people than expected by the end of the year. Applying this new methodology to our current portfolio, we reached 830,000 people in 2019. Indirectly our projects continued to benefit many more than this, as our work benefits entire communities in addition to those whom we support directly.
	We plan to sign grants and contracts with a total value of £20million during 2019.	We signed 12 grants with a total value of £12 million during 2019. This was below target and below the £19million from 15 new grants signed in 2018. The value of new grants signed in any one year can fluctuate as it is dependent on the duration of the bid and approval processes run by donors. An additional £1.5million was approved in the first quarter of 2020 from bids submitted in 2019. Nevertheless we were unsuccessful in a number of bids and our target was too ambitious.
	We will continue our expansion in to new regions where we have not previously worked, including at least one new country (our sixth).	We began our first ever project in DRC during 2019, working with Virunga National Park to support the development of two new coffee co-operatives in the east of the country.
Technical excellence	In 2019 we will scale up our proven ‘whole landscape’ approach to agricultural development and natural resource management developed under the original SHARE project, in to a larger project benefiting more communities across Ethiopia.	In April we secured a five-year extension to our SHARE project funded by the EU in Ethiopia. Following the success of phase one of the project we will continue to roll out our ‘integrated landscape’ approach in the Central Rift Valley and the south west of Ethiopia, and use this proven model in other countries when opportunities arise.
	We will increase our work focusing on improving women’s economic empowerment in key crops such as coffee.	Several of our projects have a particular focus on strengthening the role of women in agriculture and agroforestry. In September we began work on a DFID-funded project in Uganda supporting women and young people making a living from the sustainable production and sale of coffee. This is in addition to other projects including providing farming best practice and business skills training to women cashew nut farmers in coastal Kenya, and helping female farmers in Ethiopia adapt to climate change.

	We will launch at least one project in an area affected by complex emergencies, working alongside refugees and their host communities.	This year we explored relationships with donors who are prioritising agriculture and natural resource management in refugee areas. Building on the work from Ethiopia, we will look to apply this in Uganda, where there are large populations of refugee communities, in 2020.
	We will begin at least one project with a focus on provision of business development services to small and medium sized enterprises in the agricultural sector.	Using funding from the Vitol Foundation, this year we established a business development unit based in our Nairobi office and working across the region. The unit's role is to provide support to start-up and early stage agribusinesses, with training in trade, marketing, and finance in order to prepare them for future growth, business stability and investment.
Deepen our partnerships with the private sector	We will deepen our relationships with the food industry, developing at least one partnership where Farm Africa's technical expertise and interventions secure and/or strengthen a corporate partner's supply chain and so deliver commercial benefit.	We have strengthened our partnership with the Waitrose Foundation, working with the farming communities in Kenya who form part of Waitrose's horticulture supply chain. The project provides micro-loans and other infrastructure to help boost the livelihoods of the communities. We will also explore Product for Purpose together with Sainsbury's and see how that model can benefit Farm Africa's work in value chain development and market engagement.
	We will take a strategic approach to brand partnerships and increase our portfolio of on-pack promotions, thereby supporting the organisational aim of reaching new audiences and increasing Farm Africa's brand awareness.	With three new partnerships signed in 2019 (5th Season, Honeywell and Jumping Goat) the Farm Africa brand now appears on a variety of products across multiple retailers, both big and small, with products ranging from dried fruit crisps to biscuits.
Develop our digital strategy	We will grow our online support, delivering an online fundraising product which will engage with an audience new to Farm Africa, promoting donations and engagement with our cause. This fundraising product will also grow our email subscribers by 20%.	We developed and launched a new online product called *Recipes for Prosperity* with a focus on generating new support for Farm Africa and increasing email subscribers. This successful campaign was used as a test in readiness for a new digital fundraising product which will be launched later in 2020 which will introduce Farm Africa's work to new audiences online, helping to expand our community of supporters and safeguard our long term fundraising income.
	We will ensure that all fundraising activity has an online presence, where appropriate, in order to diversify our existing donor base.	Each fundraising channel at Farm Africa considers all audiences when planning activity, with a focus on growing our online presence. Working alongside the communications team, fundraising activity is consistently promoted across Farm Africa's social media channels and on our website.
Income and fundraising	We will aim to fundraise at least £200,000 from our 'Coffee is Life' DFID Aid Match appeal to fund a new project supporting marginalised women coffee growers in Uganda.	Thanks to the generosity of our supporters we raised £302,000 from the 'Coffee is Life' appeal, exceeding our target £270,000 and which will enable us to reach more beneficiaries than originally planned. DFID was able to match £242,000, bringing the appeal total to £544,000.
Sustainable financial and organisational model	We will aim to balance our unrestricted income and costs, maintaining unrestricted reserves at their current level and providing a secure financial platform for future growth.	We fell short of our target to balance unrestricted income and costs in 2019, closing the year with a deficit on unrestricted funds of £198,000. This was principally a result of not achieving as much income as planned from fundraising events.

Innovation	We will build on the positive impact of our forestry projects by helping local communities earn income from selling carbon credits.	By the end of 2019 negotiations with buyers had reached an advanced stage, and in February 2020 we concluded deals with two major corporates. These deals will see them purchase approximately €10million of carbon credits over four years, with all of the proceeds going mainly to communities and government through a benefit sharing mechanism developed by Farm Africa, in the Bale Eco-Region of Ethiopia.

Outlook for 2020

Our goals for 2020 are set out in the table below. They been modified in light of the Covid-19 pandemic, which has had an impact on our operations both in the UK and Africa.

Since the start of the pandemic our first priority has been to ensure the health and safety of our staff and beneficiaries. This has necessitated temporary changes to how we carry out work in the field, including suspension of large scale farmer training events. However, we are also exploring new ways of delivering our work within the current restrictions including making greater use of technology to reach beneficiaries remotely. In the UK, Covid-19 has meant that we have had to scale back our fundraising activity, especially our events portfolio. Where possible we will re-schedule events, including our biennial Gala, in 2021.

In the longer term we believe that as Africa emerges from the pandemic the role of agricultural development in ensuring food security and improving rural prosperity will be crucial to its recovery and its ability to withstand similar events in the future. Farm Africa's extensive experience and technical expertise means that our work will continue to play a vital part in that process.

Strategic objective	Annual goal
Achieving impact at scale	In 2020 we will increase the number of people we reach directly through our projects to 1 million, and continue to reach many more indirectly in the wider communities in which we work. We plan to sign grants and contracts with a total value of £10million during 2020. Whilst we expect the Covid-19 pandemic may cause some short-term disruption to donors' procedures for awarding grants we also believe it gives rise to new opportunities in which Farm Africa's approaches and expertise are especially relevant.
Technical excellence	In 2020, we will continue to deliver our "integrated landscape approach" at scale in Ethiopia through two key projects – SHARE 2 and SIDA 2 – and continue to be thought-leaders in participatory forest management in Bale Eco-Region. We will also explore research and innovation partnership opportunities with UK universities, think tanks and multilateral expert bodies. We will pilot a livelihoods project in Ethiopia to develop livelihood options in agriculture for both refugee and host communities. We will apply our extensive experience in agriculture and natural resource management in this challenging and complex operating context. We will improve our impact reporting at scale by standardising our project indicators and strengthen our feedback mechanisms to ensure our farmers and communities participate fully in programme review and design.
Deepen our partnerships with the private sector	Through our projects we will build more linkages between farmer groups and private sector actors, helping to boost sales volumes and incomes for individual farmers. We will continue to support emergent rural agri-businesses through our Cultivate BDS programme and provide assistance to around 20 horticultural micro-enterprises in Tanzania. We will continue to facilitate strong private sector partnerships in the coffee sector through our work in Virunga and via regional coffee cooperative project supporting around 30 coffee cooperatives to improve their operations and access working capital from institutional lenders.

Position ourselves for the next stage in our growth	We will develop our next strategic plan, building on the successes of "Driving Prosperity through Agriculture", with the aim of finalising the new strategy by early 2021. We will establish relations with at least five new donors and development partners to increase our outreach, strengthen the brand and promote our work. We will continue to promote diversity and inclusion, both within the organisation and through our programmes, and embed our code of conduct.
Income and fundraising	We will explore innovative ways of fundraising in the light of Covid-19 and the UK lockdown, including "virtual" events. We will carry out a wide-ranging review of how Farm Africa interacts with the UK food sector.
A sustainable financial and organisational model	We will seek to minimise the financial impacts of the Covid-19 pandemic by reducing operating costs where possible, with the aim of limiting the net deficit on unrestricted funds to under £200,000 and with the ambition of breaking even next year.

Financial report

In this section we set out Farm Africa's financial performance in 2019 and review its position at the end of the year. This year we pay particular attention to the impact of the Covid-19 pandemic which, although it did not occur until 2020, is expected to have a significant impact on Farm Africa's reserves and its management of financial risk. This in turn has implications for how the trustees have assessed the organisation's going concern status.

Financial performance

Income

Farm Africa receives income principally from three sources:

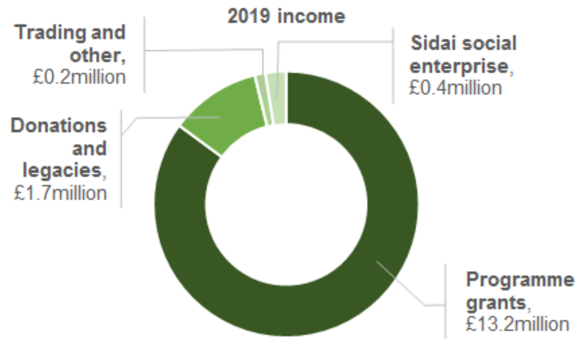
- Grants from governments, institutions and other major donors to fund specific projects (restricted funding);
- Corporate sponsorship income via our trading subsidiary Farm Africa Trading Limited (unrestricted funding); and
- Donations, legacies, and other fundraising activities (unrestricted funding).

Additionally Sidai, a Kenyan social enterprise in which Farm Africa held a controlling stake for the first three months of the year, received unrestricted income.

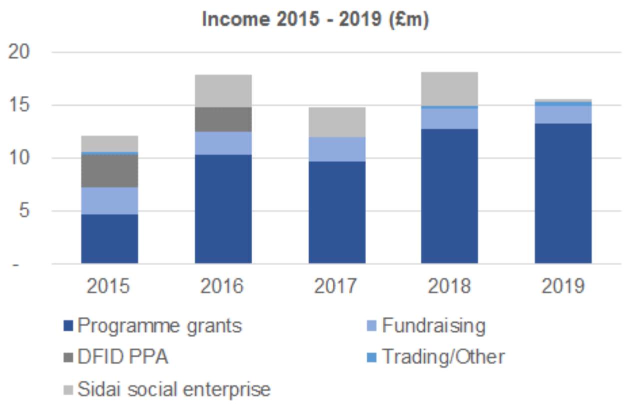
Total income in 2019 decreased to £15.5million (2018: £18.1million). This was due mainly to the fact that income from Sidai is only consolidated for the first three months of the year (see section below, "Sidai"). Excluding Sidai, Farm Africa's underlying income rose from £14.9million in 2018 to £15.1million in 2019.

Programme grants continue to represent the largest funding stream, increasing to £13.2million (2018: £12.7million). This included income on ten new projects including a follow-on to our SHARE project in Ethiopia funded by the EU (total funding for which is €10million over five years), a grant from the Waitrose Foundation to support horticulture farms in the Kenyan Rift Valley, and funding for our first ever project in DRC, working alongside Virunga National Park to improve livelihoods for coffee-growers.

The chart below shows the breakdown of income between these principal sources:



The following chart shows the trend in the level of income over the last five years, analysed by source of income. The main development over this period has been the increase in programme grant income, from below £5million in 2015 to around £10million in 2016 and 2017, and to £12-13million in each of the last two years. The chart highlights how this expansion in our core programming work has offset the loss of Sidai and the DFID Programme Partnership Arrangement (PPA). In 2015 Sidai and the DFID PPA contributed £4.7million (39%) of Farm Africa's total income, but following the cessation of the DFID PPA in 2016 and our exit from Sidai in 2019, this has fallen to £0.4million (3%) this year.



Expenditure

Farm Africa's expenditure falls in to three main categories:

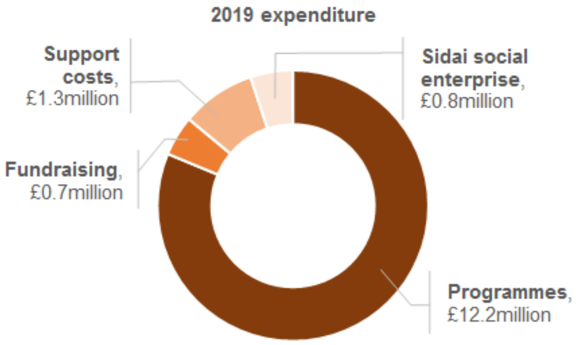
- Costs of implementing programmes on the ground in Africa;
- Fundraising costs; and

- Support costs, including head office staff and governance.

Expenditure in 2019 also includes the costs incurred by Sidai in running its operations in Kenya for the first three months of the year.

Total expenditure in 2019 fell to £15.0million (2018: £16.3million), although this was also principally to the fact that Sidai's expenditure is only included for the first three months of the year. Excluding Sidai, expenditure rose from £13.0million in 2018 to £14.2million in 2019. This was driven by an increase in programme spend to £12.2million (2018: £11.1million). Support costs increased to £1.3million (2018: £1.1million), whilst fundraising costs fell marginally, to £0.7million (2018: £0.8million).

The chart below shows the breakdown of expenditure between the main categories:



In the Statement of Financial Activities support costs are allocated to spend on charitable activities (programmes) and fundraising, but in this analysis they are shown separately.

Financial results and closing reserves

Farm Africa reported a surplus of £1.2million for 2019 (2018: surplus £1.7million). This is made up of a surplus on unrestricted funds of £1.3million (2018: deficit £0.9million) and a deficit on restricted funds of £0.1million (2018: surplus £2.6million).

The results for the year are significantly affected by the removal of Sidai from the consolidated Group accounts. Sidai had net liabilities of £0.7million when it left the Group, comprising restricted reserves of £0.9million and an unrestricted net deficit of £1.6million. The removal of these liabilities causes Farm Africa's reserves to increase by £0.7million, and this accounting gain is included within the overall surplus for the year.

Excluding the impact of this adjustment, the underlying result was a surplus of £0.5million, made up of a surplus on restricted funds of £0.8million and a deficit on unrestricted funds of £0.3million. These results include Sidai for the first three months of the year. The different elements are considered separately below.

- Farm Africa restricted funds.

The level of restricted fund surplus or deficit fluctuates from year to year due to the differences in timings between the receipt of grant income and the corresponding project expenditure. In 2019 this figure is a surplus because we received funding in advance on two major new projects (*SHARE 2* funded by the EU, and *Improving Rural Livelihoods, Empowering Communities and Partners* funded by the Swedish International Development Co-operation Agency). Under charity accounting rules and our accounting policies, income is recognised in full when certain recognition criteria are met, even if the corresponding expenditure is incurred in a different accounting period. Such timing differences may result in restricted fund deficits in some years and surpluses in other years.

Farm Africa recorded a restricted fund surplus of £1.1million in 2019 (2018: surplus £2.2million), and has a closing restricted fund balance of £6.4million.

- Farm Africa unrestricted funds.

Unrestricted funds comprise income from general fundraising activities and income earned by our trading subsidiary. This funds the organisation's operating and programme support costs.

The unrestricted fund deficit for Farm Africa was £0.2million (2018: deficit £0.3million). This was below budget and was the result primarily of a decline in fundraising income including from the cancellation or re-scheduling of certain fundraising events and from a fall in income from legacies compared to previous years. Farm Africa's closing unrestricted fund balance was £1.4million.

The table below shows the Statement of Financial Activities for Farm Africa, excluding Sidai.

	Farm Africa Charity & Trading Unrestricted Funds £'000	Farm Africa Charity & trading Restricted Funds £'000	Total Farm Africa Funds £'000
Income from			
Donations and Legacies	1,719	-	1,719
Charitable activities			
General	-	13,186	13,186
Other trading activities	176	-	176
Investment income	6	1	7
Other income	17	2	19
Total income	**1,918**	**13,189**	**15,107**
Expenditure on			
Raising funds	792	-	792
Charitable activities			
Agriculture	437	4,005	4,442
Business	522	4,778	5,300
Environment	365	3,347	3,712
Total expenditure on charitable activities	1,324	12,130	13,454
Total expenditure	**2,116**	**12,130**	**14,246**
Income/(expenditure) for the year	**(198)**	**1,059**	**861**
Funds brought forward at 1 January 2019	1,563	5,306	6,869
Funds carried forward at 31 December 2019	**1,365**	**6,365**	**7,730**

The unrestricted reserves of Farm Africa of £1.4million compares to our target for unrestricted reserves of

£1.3million. The process by which the reserves target is set is explained in the section below, "Reserves policy".

Farm Africa's unrestricted reserves have fallen over the last three years, from £2.1million in December 2016 (excluding Sidai) to their current level of £1.4million. In each of the last three years the charity has had an annual deficit on its unrestricted funds, as running costs have exceeded fundraising income. This was principally due to the cessation of the DFID PPA after 2016, which prior to this had been income to the unrestricted fund. Over the last three years Farm Africa has been in transition to a new, sustainable financial model in which unrestricted income and expenditure are once again in balance. The annual budget for 2020 had indicated that this transition was almost complete, with a much smaller deficit than in previous years, but the impact of the Covid-19 pandemic will now result in a larger deficit and reduction in unrestricted reserves than anticipated.

This is considered further in the section below, "Going concern".

- Sidai restricted and unrestricted funds.

Sidai's unrestricted funds represent its trading income and expenditure in Kenya. Its net unrestricted fund deficit in the first three months of 2019 was £0.1million (2018 full year: net losses £0.56million).

Sidai's restricted funds comprise its grant income and expenditure. Its net expenditure in the first three months of 2019 was £0.3million (2018 full year: surplus £0.4million).

Sidai

In 2011 Farm Africa founded Sidai, a social enterprise based in Kenya which runs a network of centres providing livestock and veterinary services, such as vaccines and artificial insemination, to pastoralists and high-quality crop inputs, like fertilisers, to farmers.

Farm Africa initially owned 100% of the business. In 2015 the Adolf H Lundin Charitable Foundation became a 16% minority shareholder following a re-financing. This remained the position throughout 2018.

On 9 April 2019 Sidai secured a US$2.25million equity investment from Devenish Nutrition, a leading agri-tech company headquartered in Northern Ireland. As a result of this investment Devenish became the largest shareholder in Sidai, with 42%. Farm Africa's shareholding is 24.5%, and the other shareholders are the Adolf H Lundin Charitable Foundation (28.5%), and the Sidai CEO (5%).

Since Sidai continued to meet the FRS102 definition of a subsidiary until the change in ownership, its financial results are included in the Farm Africa consolidated financial statements for the first three months of 2019.

However, following this change in ownership Farm Africa no longer exercises control over Sidai. Where an investing charity holds, either directly or indirectly, 20% or more of the voting power of a company, the general presumption is that the investing charity exercises significant influence over the company, and the company should be classified as an associate. However, the trustees consider that Farm Africa does not exercise significant influence over Sidai. The trustees have therefore determined that Sidai should now be accounted for as a trade investment in Farm Africa's financial statements.

FRS102 states that a trade investment must be valued in the balance sheet either at fair value or, if a fair value cannot reliably be determined, at cost. Given Sidai's status as a social enterprise and the absence of an active market in such entities, a fair value cannot reliably be determined and Farm Africa's residual shareholding in Sidai is therefore valued at cost. This is £nil, since Farm Africa founded Sidai rather than paying to acquire it.

Reserves policy

Farm Africa's unrestricted reserves on 31 December 2019 were £1.4million (including free reserves of £1.3million) and its closing restricted reserves were £6.4million.

The Board of Trustees 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 the unrestricted reserves target should be set by applying the following methodology:

- Liquidity risk: a percentage of annual budgeted unrestricted expenditure to take account of short-term timing differences between receipt of income and payment of costs (currently 15%), plus a percentage of co-funding income to take account of timing differences between expenditure and receipt of co-funding income;
- Security risk: an assessment of the level of risk in each unrestricted income stream of between 10% and 30% depending on source, plus an assessment of unplanned unrestricted expenditure needs such as budget overspends; and
- Investment reserve: an estimate of an appropriate level of funds to be held in reserve to enable Farm Africa to respond to unforeseen opportunities as they arise.

This methodology translated to an unrestricted reserves target of £1.3million at 31 December 2019. This was approved by the trustees at the December Board meeting and is the same level as the previous year. The reserves target is considerably in excess of the minimum level that would be required for an orderly winding up of the charity.

The trustees have reconsidered the reserves policy and reserves target in light of the Covid-19 pandemic, and concluded that unrestricted reserves should be utilised as part of the charity's response to managing the immediate financial impacts.

The trustees also consider that £1.3million remains an appropriate target in light of the charity's size, operations, and the financial risks to which it is exposed. The trustees are committed to rebuilding reserves to the £1.3million target over as short a time frame as possible. As part of their assessment of going concern the trustees have given consideration as to how long this is expected to take, and the charity's ability to manage risk in the meantime. In the longer term, the trustees will ensure that the reserves policy continues to be relevant as the charity develops or changes its strategy and activities.

Going concern

The trustees have assessed Farm Africa's ability to continue as a going concern. The trustees have considered several factors when forming their conclusion as to whether the use of the going concern basis is appropriate when preparing these financial statements including a review of updated forecasts to the end of 2021, and a consideration of key risks, including Covid-19, that could negatively affect the charity.

Our core unrestricted reserves are funded from a combination of fundraising income (in the form of donations and legacies), and programme grants, a portion of which is allocated to funding the charity's running costs. As noted above, the level of unrestricted reserves has declined in the last three years, although at £1.4million at the start of 2020 reserves were still in line with the long term target.

The key risks in our financial model are described in more detail in the section "Risk Management". The risks may be summarised as a decline in income from unrestricted donations and legacies, and a fall in programme expenditure leading to lower recovery of core costs.

In particular, we expect that income from donations will be lower than anticipated in 2020. We have reluctantly taken the decision to cancel or postpone a number of fundraising events, including our biennial Gala. Given the wider economic uncertainties facing households across the country, it is also prudent to expect a fall in the level of donations from our supporters, although the extent of this will become clearer over the coming months.

The pandemic will also affect our ability to carry out programme activities on the ground in Africa in the short term. Many of the countries in which we work have imposed restrictions on movement and gatherings in an effort to contain the spread of Covid-19, and we are adapting our operations accordingly. Programme teams are exploring innovative ways to continue to reach beneficiaries and carry out project activity whilst operating within these restrictions. Our donors recognise the particular challenges presented by these conditions and have generally expressed a willingness to accommodate changes to plans and budgets, particularly where projects can be adapted to address the immediate impacts on beneficiary communities and potentially extensions to projects. The immediate impact, however, is that programme expenditure is likely to be lower than expected in 2020 and consequently a smaller proportion of our core costs will be recovered from restricted funds.

In light of these factors the trustees have undertaken scenario planning to assess the potential financial impact of Covid-19 on Farm Africa. Together with the charity's management the trustees have also embarked upon measures to reduce core costs in order to mitigate the impacts. These measures include:

- Making use of the UK Government's Coronavirus Job Retention Scheme to place up to half of UK staff on 'furlough', and the senior management team taking a collective 20% salary cut in parallel with this; and
- Removing all non-essential expenditure from core Africa and UK budgets for the remainder of the year.

The scenario planning indicates that if significant restrictions on movement and gatherings remain in place throughout the second quarter of 2020 unrestricted reserves would fall to between £1.10million and £1.20million during the year. They would continue to fall slightly in 2021, to just over £1.0million. We have also considered other scenarios in which the restrictions have a greater impact, such as through reducing the levels of programme expenditure and unrestricted fundraising income. In these scenarios reserves would decline at a faster rate, though not to a critical level.

The course of the pandemic remains uncertain, however, both in the UK and particularly in Africa, and the trustees are mindful that the financial outlook is subject to change. Therefore, they are reviewing the financial position closely on a monthly basis, and updating expected future scenarios based on the actual monthly results. Trustees and management are also considering further measures to increase fundraising income and reduce core costs in 2020. Moreover, whilst the scenario planning does not indicate any immediate liquidity risks, if this changes then appropriate measures will be taken.

In the longer term, as Africa recovers from the impact of Covid-19, the trustees believe that Farm Africa's experience of harnessing agricultural development as a means of building financial resilience will present opportunities for the charity. Discussions with institutional and corporate donors are under way.

After considering these factors, the trustees have concluded that the Charity has a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future and have continued to prepare the financial statements on the going concern basis.

Structure, Governance and Management

In this section we set out how Farm Africa is governed, its charitable objects and how it delivers public benefit. We also describe several key policies regarding the operations of the charity.

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.

Governance and organisational structure

Farm Africa's officers and advisers are as shown on page 23 of this report.

Sir Michael Palin CBE and Sir Martin Wood OBE FRS DL both kindly agreed to continue as patron and president respectively of Farm Africa during 2020.

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 23.

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) met regularly throughout 2019 under the chairmanship of Nick Allen. 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 2019 initially under the chairmanship of Professor Jonathan Kydd, and from July 2019 under the chairmanship of Laketch Mikael following the retirement of 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 and on aspects of its programme work.

The nomination and remuneration committee also continued its work during the year. It was chaired by Richard Macdonald until his retirement in July 2019, and since then has been chaired by John Reizenstein. It comprises no fewer than three trustees appointed by the board, with the chief executive as a 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 U.S.A Inc. which is a US non-profit 501(c)(3) organisation that promotes and improves agriculture, natural resource management and food production in an effort to alleviate hunger and poverty in Africa.

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 mission, values and strategy.

Public benefit statement

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 benefits;
- *The benefits generated relate to the objectives of the charity*. All activities undertaken are intended to further Farm Africa's charitable objectives; and
- *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.

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 confirming the reappointment of Crowe U.K. LLP as auditors will be proposed at the Farm Africa annual general meeting.

Subsidiaries

During 2019, Farm Africa had two directly owned and active subsidiaries:

- Farm Africa Trading Limited, which enables us to receive sponsorship income from corporate partners in a tax efficient manner; and

- Sidai Africa Limited, which acts as an investment holding company for Sidai Africa Kenya Limited, our veterinary franchise operation in Kenya.

Farm Africa Trading Limited made a profit for the year before gift aid of £62,000 (2018: profit of £39,000). Our corporate sponsorship income is variable as it is dependent on the number of high profile events in a particular year and thus results can be variable from one year to another.

As explained in Section 3, in April 2019 Sidai secured a US$2.25million equity investment from Devenish Nutrition, as a result of which Farm Africa no longer holds a controlling interest. Sidai therefore ceased to be a subsidiary of Farm Africa on that date. Farm Africa has a residual holding of 24.5% of Sidai Africa Limited.

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. Risks are recorded and monitored on an organisational risk register which includes an assessment of the likelihood and potential severity of impact of each risk. The board receives a report regarding the status of those risks and the mitigating actions and controls that are in place.

The three most significant risk areas identified by the board are described in more detail below.

i) Maintaining financial strength and sustainability

The long-term viability of our business model is dependent on our ability to continue to fund our operating costs through a combination of unrestricted fundraising income and recovering a portion of core costs from restricted programme grants. As noted above, the Covid-19 pandemic has had a negative impact on both of these elements. In the short term unrestricted reserves are expected to fall below the £1.3million target, and the trustees are committed to rebuilding reserves to this target over as short a time frame as possible. Looking further ahead the long term impact of Covid-19 on the UK economy might adversely affect fundraising income for years to come. The availability of funding from major institutional and corporate donors may also contract, or their priorities shift away from the types of programmes in which Farm Africa specialises.

In response to these risks the trustees are taking the following steps to manage these risks. The section 'Going Concern' describes the actions already taken. With regard to monitoring the immediate impact of the pandemic the trustees review monthly financial reports comparing performance against forecast, and discuss whether further action is required to reduce costs and preserve unrestricted funds. The trustees also receive regular updates of conditions on the ground in all of the countries in which we operate, and reports on discussions with donors in order to identify any emerging risks over the continuation of project funding.

Over the longer term work is ongoing to engage with institutional and corporate donors in order to ensure that Farm Africa understands and can respond to their priorities in the post-pandemic world. We are also continually exploring innovative ways to reach new supporters in the UK, ensuring that our brand and activities are known by an ever-wider community and helping to diversify our unrestricted fundraising income.

ii) Security and political risks arising in the countries where we operate

The external environment in which Farm Africa works is inherently risky. The security situation in some parts of eastern Africa is difficult, and can change rapidly. Ensuring the safety of our staff is our highest priority. We conduct security risk assessments whenever we start working in new areas known to have security issues, using expert consultants where necessary. We draw on the knowledge of our local staff to help identify when risks are increasing. We have detailed incident management plans, including where necessary shutting down operations and evacuating staff, and on occasion we have had to put these in to practice.

The political context in each of our countries of operation is also important. The countries in which our projects operate have all experienced instances of civil unrest in recent years. This can disrupt our work and potentially put the safety of our staff at risk. The levels of NGO regulation in these countries may also become more burdensome and restrictive from time to time. We seek to manage the resulting risks by spreading our work over a number of countries and contexts and by sourcing funding from as wide a variety of funders as possible.

The Covid-19 pandemic has highlighted the health risks faced by our staff, particularly in Africa. Our project in DRC is also in an area which has recently been affected by an outbreak of ebola. Through our experienced country leadership teams and policies on staff safety we ensure that such risks are identified quickly and that no member of staff is placed at a heightened level of personal risk.

Within this risk area we also consider the safety and wellbeing of the beneficiaries alongside whom we work. Later in this section we set out Farm Africa's commitment to safeguarding.

iii) Ensuring high quality, timely programmatic delivery in challenging operating contexts

Many of our projects are large-scale and complex, spanning multiple regions and working with a range of partners to deliver a wide variety of activities. Failure to complete projects on schedule or to deliver the expected outputs risks limiting our public benefit and undermining our reputation. In particular we face the risk of loss of key staff or access to technical expertise.

We mitigate this risk through the adoption of effective project management processes, overseen by the trustees via PAC. We invest in building internal technical expertise through tools such as the knowledge hub, and in maintaining a network of external experts.

Farm Africa's overall 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.

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, which works alongside us on natural resource management projects), geographical reach to enable more effective programme delivery (for example, SOS Sahel in Ethiopia), 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.

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 approximately £15million, a track record of world class technical expertise and delivery and 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.

Fundraising disclosure

In 2019 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 2019 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.

Statement of compliance with Charity Governance Code

The Charity Governance 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

In order to follow best practice in standards of charity governance, in 2019 the board of trustees carried out a self-assessment of board effectiveness at Farm Africa. The main findings from this review were: overall the board fulfils its obligations satisfactorily with trustees registering relatively few areas of concern; there should be greater interaction between the board and staff members, particularly country directors, in order to strengthen the board's understanding of individual programmes; the board should play a greater role in strategic direction-setting; and enhancements should be made to the trustee induction process.

The board and senior management have already taken measures to act on these findings and will continue to do so in 2020.

Safeguarding

Farm Africa's approach to safeguarding is codified in our Safeguarding Policy. 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 support; 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; and
- Manage our work in a way that promotes safety and prevents abuse.

In March 2020 the board appointed a designated Safeguarding Lead. They will act on behalf of the trustees to monitor adherence to Farm Africa's safeguarding policy and procedures, participate in the investigation and resolution of any reported incidents, and act as a source of guidance for other trustees on safeguarding matters.

Approved by the board of Trustees of Farm Africa Limited on 26 June 2020 including, in their capacity as company directors, the strategic report contained therein, and signed on its behalf by

John Reizenstein, Chair

Reference and Administrative details

Patron

Sir Michael Palin CBE

President

Sir Martin Wood OBE FRS DL

Chair

Richard Macdonald CBE *(retired July 2019)*
John Reizenstein *(appointed as Chair July 2019)*

Trustees

Professor Jonathan Kydd (Deputy Chair) *(retired July 2019)*
Judith Batchelar (Deputy Chair) *(appointed as Deputy Chair July 2019)*
Nick Allen (Treasurer)
John Young (Board Secretary)
Minette Batters
Colin Brereton
Serena Brown
Jan Bonde Nielsen
Jane Ngige
Charles Reed
John Reizenstein
Laketch Mikael
Tim Smith

Registered Charity Number

326901

Registered Company Number

01926828

Registered Office and Principal Office

9th Floor Bastion House
140 London Wall
London EC2Y 5DN

Auditors

Crowe U.K. LLP
Chartered Accountants and Registered Auditor
St Bride's House, 10 Salisbury Square
London EC4Y 8EH

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Lawyers

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG

Part 2

Independent Auditor's Report

Independent auditor's report to the members of Farm Africa

Opinion

We have audited the financial statements of Farm Africa for the year ended 31 December 2019 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charitable Company Balance Sheets, the Consolidated 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).

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 2019 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 x, 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.

Use of our report

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.

Nicola May
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

30 June 2020

Part 3

Financial Statements

Consolidated Statement of Financial Activities

(incorporating Income and Expenditure Account) for the year ended 31 December 2019

	Note	**2019** Unrestricted funds	Restricted funds	Total funds	2018 Unrestricted funds	Restricted funds	Total funds
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Income from							
Donations and legacies	2	**1,719**	**-**	**1,719**	1,993	-	1,993
Charitable activities							
General		**-**	**13,186**	**13,186**	-	12,688	12,688
Social enterprise trading income		**388**	**-**	**388**	1,886	1,320	3,206
Total income from charitable activities	3	**388**	**13,186**	**13,574**	1,886	14,008	15,894
Other trading activities	4	**176**	**-**	**176**	150	-	150
Investments	4	**6**	**1**	**7**	7	-	7
Other income	4	**17**	**2**	**19**	17	-	17
Total income		**2,306**	**13,189**	**15,495**	4,053	14,008	18,061
Expenditure on							
Raising funds	6	**792**	**-**	**792**	869	-	869
Charitable activities							
Social enterprise		**504**	**260**	**764**	2,446	946	3,392
Agriculture		**437**	**4,005**	**4,442**	524	3,379	3,903
Business		**522**	**4,778**	**5,300**	779	5,016	5,795
Environment		**365**	**3,347**	**3,712**	320	2,065	2,385
Total expenditure on charitable activities	7	**1,828**	**12,390**	**14,218**	4,069	11,406	15,475
Total expenditure		**2,620**	**12,390**	**15,010**	4,938	11,406	16,344
Increase / (Decrease) in reserves from disposal of subsidiary		**1,643**	**(937)**	**706**	-	-	-
Net income/(expenditure) for the year	5	**1,329**	**(138)**	**1,191**	(885)	2,602	1,717
(Surplus)/deficit attributable to the minority		**(19)**	**(42)**	**(61)**	(119)	111	(8)
(Surplus)/deficit attributable to the parent		**1,348**	**(96)**	**1,252**	(766)	2,491	1,725
Other recognised gains and losses							
Exchange differences on revaluation of subsidiary	18	**-**	**-**	**-**	(183)	319	136
Transfers between funds		**-**	**-**	**-**	-	-	-
Net movement on funds		**1,348**	**(96)**	**1,252**	(949)	2,810	1,861
Total funds brought forward		**17**	**6,461**	**6,478**	966	3,651	4,617
Total funds carried forward	18	**1,365**	**6,365**	**7,730**	17	6,461	6,478

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 31 to 48 form an integral part of these financial statements.

Consolidated and Charity Balance Sheets

As at 31 December 2019

	Note	**2019 Group £'000**	**2019 Charity £'000**	2018 Group £'000	2018 Charity £'000
Fixed assets					
Tangible assets	11	**24**	**24**	545	21
Intangible assets	12	**-**	**-**	23	-
Investments (social)	13	**-**	**-**	-	1
		24	**24**	568	22
Current assets					
Stock: goods for re-sale		**-**	**-**	336	-
Debtors	14	**1,812**	**1,962**	1,385	1,422
Cash at bank and in hand		**6,684**	**6,449**	7,206	6,038
		8,496	**8,411**	8,927	7,460
Creditors					
Amounts falling due within one year	15	**(656)**	**(636)**	(1,651)	(413)
Net current assets		**7,840**	**7,775**	7,276	7,047
Total assets less current liabilities		**7,864**	**7,799**	7,844	7,069
Creditors: amounts falling due in more than one year	16	**-**	**-**	(1,171)	-
Provisions for liabilities and charges	17	**(134)**	**(134)**	(203)	(203)
Net assets		**7,730**	**7,665**	6,470	6,866
Net assets attributable to minority interest	19	**-**		8	
		7,730		6,478	
The funds of the Group and Charity					
Restricted funds	18	**6,365**	**6,365**	6,461	5,306
Unrestricted funds	18				
General funds		**1,365**	**1,300**	1,563	1,560
Designated funds (Sidai)		**-**	**-**	(1,546)	-
Total funds	18	**7,730**	**7,665**	6,478	6,866

The surplus for the financial year dealt with in the financial statements of the parent company was £799,000.

Approved by the Board and authorised for issue on 26 June 2020 and signed on their behalf by:

John Reizenstein   Nick Allen

John Reizenstein
Chair

Nick Allen
Treasurer

Registered Company No.: 01926828

The notes on pages 31 to 48 form an integral part of these financial statements.

Consolidated Statement of Cashflows

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities:			
Net cash (used in)/provided by operating activities	A	**(520)**	1,186
Cash flows from investing activities:			
Dividends, interest, and rent from investments		**7**	7
Disposal of tangible fixed assets and capital grants		**5**	70
Purchase of tangible fixed assets and capital grants		**(14)**	(170)
Net cash (used in)/provided by investing activities		**(2)**	(93)
Cash flows from financing activities:			
Cash inflows from new borrowing		**-**	220
Net cash (used in)/provided by financing activities		**-**	220
Change in cash and cash equivalents in the reporting period		**(522)**	1,313
Cash and cash equivalents at the beginning of the reporting period		**7,206**	5,893
Cash and cash equivalents at the end of the reporting period		**6,684**	7,206

Notes to the Statement of Cash Flows

A. Reconciliation of cash flows from operating activities

	2019 £'000	2018 £'000
Net income/(expenditure) for the reporting period (as per the Statement of Financial Activities)	**1,191**	1,853
Adjustments for:		
Depreciation	**11**	150
(Profit) on the disposal of fixed assets	**(5)**	-
(Increase)/Decrease in debtors	**(428)**	(283)
(Decrease)/Increase in creditors falling due within one year	**(995)**	(489)
(Decrease) in provisions	**(68)**	(31)
(Increase)/Decrease in stocks	**336**	(7)
Dividends, interest and rents from investments	**(7)**	(7)
Non-cash movement on disposal of subsidiary	**(555)**	-
Net cash (used in)/provided by operating activities	**(520)**	1,186

B. Analysis of cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand in the UK and overseas	**6,684**	7,206
	6,684	7,206

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 page 19.

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

No statement of financial activities is presented for the charitable company alone as the results of the subsidiary companies are separately identified within the group accounts and the charitable company is exempt from presenting such a statement under s408 Companies Act 2006. The net surplus of the charitable company was £799,000 (2018: net surplus £1,864,000).

Going concern

The trustees have assessed Farm Africa's ability to continue as a going concern. The trustees have considered several factors when forming their conclusion as to whether the use of the going concern basis is appropriate when preparing these financial statements including a review of updated forecasts to the end of 2021, and a consideration of key risks, including Covid-19, that could negatively affect the charity.

Our core unrestricted reserves are funded from a combination of fundraising income (in the form of donations and legacies), and programme grants, a portion of which is allocated to funding the charity's running costs. The level of unrestricted reserves has declined in the last three years, although at £1.4million at the start of 2020 reserves were still in line with the long term target.

The key risks in our financial model are described in more detail in the section "Risk Management". The risks may be summarised as a decline in income from unrestricted donations and legacies, and a fall in programme expenditure leading to lower recovery of core costs.

In particular, we expect that income from donations will be lower than anticipated in 2020. We have reluctantly taken the decision to cancel or postpone a number of fundraising events, including our biennial Gala. Given the wider economic uncertainties facing households across the country, it is also prudent to expect a fall in the level of donations from our supporters, although the extent of this will become clearer over the coming months.

The pandemic will also affect our ability to carry out programme activities on the ground in Africa in the short term. Many of the countries in which we work have imposed restrictions on movement and gatherings in an effort to contain the spread of Covid-19, and we are adapting our operations accordingly. Programme teams are exploring innovative ways to continue to reach beneficiaries and carry out project activity whilst operating within these restrictions. Our donors recognise the particular challenges presented by these conditions and have generally expressed a willingness to accommodate changes to plans and budgets, particularly where projects can be adapted to address the immediate impacts on beneficiary communities and potentially extensions to projects. The immediate impact, however, is that programme expenditure is likely to be lower than expected in 2020 and consequently a smaller proportion of our core costs will be recovered from restricted funds.

In light of these factors the trustees have undertaken scenario planning to assess the potential financial impact of Covid-19 on Farm Africa. Together with the charity's management the trustees have also embarked upon measures to reduce core costs in order to mitigate the impacts. These measures include:

- Making use of the UK Government's Coronavirus Job Retention Scheme to place up to half of UK staff on 'furlough', and the senior management team taking a collective 20% salary cut in parallel with this; and
- Removing all non-essential expenditure from core Africa and UK budgets for the remainder of the year.

The scenario planning indicates that if significant restrictions on movement and gatherings remain in place throughout the second quarter of 2020 unrestricted reserves would fall to between £1.10million and £1.20million during the year. They would continue to fall slightly in 2021, to just over £1.0million. We have also considered other scenarios in which the restrictions have a greater impact, such as through reducing the levels of programme expenditure and unrestricted fundraising income. In these scenarios reserves would decline at a faster rate, though not to a critical level.

The course of the pandemic remains uncertain, however, both in the UK and particularly in Africa, and the trustees are mindful that the financial outlook is subject to change. Therefore, they are reviewing the financial position closely on a monthly basis, and updating expected future scenarios based on the actual monthly results. Trustees and management are also considering further measures to increase fundraising income and reduce core costs in 2020. Moreover, whilst the scenario planning does not indicate any immediate liquidity risks, if this changes then appropriate measures will be taken.

In the longer term, as Africa recovers from the impact of Covid-19, the trustees believe that Farm Africa's experience of harnessing agricultural development as a means of building financial resilience will present opportunities for the charity. Discussions with institutional and corporate donors are under way.

After considering these factors, the trustees have concluded that the Charity has a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future and have continued to prepare the financial statements on the going concern basis.

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.

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.

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.

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.

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.

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.

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.

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.

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.

Stock: goods for resale

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

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.

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 represent Farm Africa's equity investment in Sidai Africa Ltd. Since this investment does not have a quoted market price in an active market and its fair value cannot be reliably measured by other means it is held at cost, which is nil.

2. Income from donations and legacies

	Unrestricted funds 2019 £'000	Restricted funds 2019 £'000	Total funds 2019 £'000	Total funds 2018 £'000
General				
Committed giving	**480**	-	**480**	509
Appeals and donations	**604**	-	**604**	679
Legacies	**96**	-	**96**	195
Fundraising events	**163**	-	**163**	309
Corporate donations	**37**	-	**37**	172
Gifts in kind: donated services	**267**	-	**267**	61
	1,647	-	**1,647**	1,925
Grants				
Trusts and Foundations	**72**	-	**72**	68
	72	-	**72**	68
Total donations and legacies	**1,719**	-	**1,719**	1,993

3. Income from charitable activities

	Restricted funds 2019 £'000	Restricted funds 2018 £'000
Grants from government, institutional and other similar donors		
ACIDI/VOCA	**-**	200
Agriconsulting Europe	**43**	-
Agricultural Markets Development Trust	**479**	79
Agriculture Business Initiative Trust	**124**	83
Ajahma Charitable Trust	**-**	60
Aldi	**-**	100
Amref	**-**	39
Big Lottery Fund	**-**	109
Bill and Melinda Gates Foundation	**-**	935
Christian Aid	**84**	-
Comic Relief	**152**	337
Conservation International	**129**	89
European Union	**2,724**	196
Highwater Global Fund	**191**	-
ICRISAT	**-**	75
ILRI	**-**	147
Jersey Overseas Aid Commission	**350**	150
Mark Anthony Trust	**25**	25
MEDA	**-**	38
Medicor Foundation	**85**	94
Msingi East Africa	**122**	-
Netherlands Embassy of Kenya	**507**	923
Norwegian Agency for Development Cooperation	**126**	264
Open Society Foundation	**93**	-
Packard Foundation	**306**	-
Red een Kind	**-**	1
Royal Norwegian Embassy	**455**	433
Slovak Aid	**185**	-
SOS Sahel	**288**	89
Swedish International Development Co-operation Agency	**1,764**	5,206
Technical Centre for Agricultural and Rural Co-operation	**199**	111
The Deutsche Gesellschaft für Internationale Zusammenarbeit	**191**	-
UK aid from the Department for International Development – Aid Direct	**1,229**	385
UK aid from the Department for International Development – Aid Match	**168**	57
UK aid from the Department for International Development – BRACED	**730**	1,762
UK aid from the Department for International Development – FoodTrade	**-**	1,824
Virunga Foundation	**157**	19
Vitol Foundation	**79**	-
Waitrose Foundation	**963**	57
World Food Programme	**1,104**	76
Other international agencies and other donors	**134**	45
Total grants from government, institutional and other similar donors	**13,186**	14,008
Other social enterprise trading income	**388**	1,886
Total income from charitable activities	**13,574**	15,894

4. Other income

	Unrestricted funds	Restricted funds	Total funds	Total funds
	2019	2019	2019	2018
	£'000	£'000	£'000	£'000
Other trading activities				
Trading	**176**	**-**	**176**	150
Total other trading activities	**176**	**-**	**176**	150
Investment income				
Deposit interest	**6**	**1**	**7**	7
Total investment income	**6**	**1**	**7**	7
Other income				
Sub-lease of office space and other miscellaneous income	**12**	**2**	**14**	17
Profit on sale of assets	**5**	**-**	**5**	-
Total other income	**17**	**2**	**19**	17
Total	**199**	**3**	**202**	174

5. Net income for the year

This is stated after charging:	Total	Total
	2019	2018
	£'000	£'000
Depreciation and amortisation	**39**	150
Payments under operating leases	**80**	78
Auditor's remuneration for the annual external audit:		
Charitable company	**26**	26
Subsidiary companies	**3**	15

6. Expenditure on raising funds

	2019	2018
	£'000	£'000
Donations and legacies		
Fundraising costs	**597**	682
Support costs allocated (note 9)	**62**	61
	659	743
Charitable activities		
Fundraising costs	**4**	5
Support costs allocated (note 9)	**-**	-
	4	5
Other trading activities		
Fundraising costs	**116**	111
Support costs allocated (note 9)	**13**	10
	129	121
Total	**792**	869

7. Expenditure on charitable activities

	Operational programmes	Grants payable	Support costs*	Total	Total
	2019	2019	2019	2019	2018
	£'000	£'000	£'000	£'000	£'000
		(note 8)	(note 9)		
Social enterprises	**764**	**-**	**-**	**764**	3,392
Agriculture	**3,180**	**839**	**423**	**4,442**	3,903
Business	**3,584**	**1,212**	**504**	**5,300**	5,795
Environment	**2,115**	**1,246**	**351**	**3,712**	2,385
Total	**9,643**	**3,297**	**1,278**	**14,218**	15,475

* 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

	2019 £'000	2018 £'000
Ethiopia projects		
SOS Sahel	**484**	365
PHE Ethiopia Consortium	**273**	52
International Water Management Institute	**60**	88
Frankfurt Zoological Society	**12**	158
Mercy Corps	**653**	941
Melca - Ethiopia	**61**	-
Natural Gum Production and Marketing Enterprise	**18**	-
Organization for Women in Self Employment	**7**	-
Sustainable Environment and Development Action	**260**	-
TechnoServe	**238**	-
Tokuma	**1**	-
Mothers and Children Multisectoral Development Organization	**66**	8
LTS International	**50**	78
Union of Ethiopian Women Charitable Association	**587**	514
Organization for Rehabilitation and Development in Amhara	**293**	419
Assosa Environmental Protection Association	**21**	32
Kenya projects		
BoP Innovation Centre	**13**	86
Centre for Development Innovation	**10**	20
Larive International B.V.	**-**	101
Pioneer Fish Farm	**2**	-
TIGOI Fish Farm	**2**	-
UNGA Farm Care Limited	**3**	-
Stichting PUM	**19**	33
World Fish Centre	**-**	7
Tanzania projects		
Friends in Development	**39**	-
Cosita	**-**	38
Inades	**-**	60
Mviwata	**-**	8
Masupa Enterprises	**6**	-
Tanzania Horticultural Association	**2**	-
VredesEilanden Country Office (East Africa)	**-**	239
Rural Urban Development Initatives	**-**	162
Wellspring Development Capital Ltd	**-**	466
Sokoine University Graduate Entrepreneurs Co-operative	**-**	56
Uganda projects		
Katine	**-**	1
SORUDA	**-**	20
Kasese District Farmers Organization	**-**	1
SOSSPA	**-**	2
Africa Innovations Institute	**71**	38
Twin	**9**	11
North Eastern Chilli Producers Association	**37**	11
VredesEilanden Country Office (East Africa - Uganda)	**-**	187
	3,297	4,202

Grants were payable during the year to partners working on restricted projects. At year end there were six payments totalling £118,000 outstanding to Agrics, Masupa Enterprises, Mercy Corps, Organization for Rehabilitation and Development in Amhara, PHE Ethiopia Consortium and TechnoServe (2018: there were no payments outstanding to partners).

9. Analysis of support costs

	Mgmt. costs	**Office costs**	**Finance & IT costs**	**HR costs**	**Gov. costs**	**Total**	Total
	2019	**2019**	**2019**	**2019**	**2019**	**2019**	2018
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Charitable activities							
Agriculture	**34**	**89**	**208**	**76**	**16**	**423**	320
Business	**40**	**106**	**248**	**91**	**19**	**504**	475
Environment	**28**	**74**	**173**	**63**	**13**	**351**	196
	102	**269**	**629**	**230**	**48**	**1,278**	991
Expenditure on raising funds							
Donations and legacies	**5**	**13**	**31**	**11**	**2**	**62**	61
Charitable activities	**-**	**-**	**-**	**-**	**-**	**-**	-
Other trading activities	**1**	**3**	**6**	**2**	**1**	**13**	10
	6	**16**	**37**	**13**	**3**	**75**	71
	108	**285**	**666**	**243**	**51**	**1,353**	1,062

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

	2019 £'000	2018 £'000
Staff costs		
Wages and salaries (including life assurance)		
Overseas contracted staff	**4,109**	4,199
UK contracted staff	**1,416**	1,441
	5,525	5,640
Social security costs	**147**	163
Pension costs	**100**	102
	5,772	5,905

Wages and salaries includes £64,000 (2018: nil) of redundancy and termination payments which are paid out in accordance with our redundancy policy and the legal requirements of each country in which we work.

The key management personnel of the charitable company comprise the Chief Executive, the Director of Resources, the Director of Fundraising, the Director of Programmes, the Director of Finance, and Country Directors. The total employee benefits paid to these individuals (including employer's pension and national insurance) was £762,000 (2018: £726,000).

	2019 No.	2018 No.
Employees with remuneration in the range of £60,001 to £70,000	**2**	3
Employees with remuneration in the range of £70,001 to £80,000	**4**	1
Employees with remuneration in the range of £80,001 to £90,000	**1**	-
Employees with remuneration in the range of £90,001 to £100,000	**1**	1
Employees with remuneration in the range of £100,001 to £110,000	**-**	1

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

	2019 No.	2018 No.
Overseas contracted staff		
Farm Africa	**211**	166
Sidai Kenya	**22**	87
UK contracted staff		
Fundraising and communications	**12**	12
Programmes support	**7**	10
Management and administration of charity	**10**	10
	262	285

The fall in the average number of Sidai Kenya staff in 2019 compared to 2018 is because Sidai Kenya staff were only part of the Farm Africa Group for the first three months of 2019.

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

Two trustees were reimbursed £1,000 (one trustee in 2018: £1,000) in travel expenses incurred on behalf of the organisation. In addition, £15,000 travel costs were paid directly to suppliers (two trustees in 2018: £9,000) in respect of two non-UK based trustee travelling to board meetings in the UK. The cost incurred by the charity for the trustee indemnity insurance was £2,000 in 2019 (2018: £2,000).

Farm Africa makes contributions for its employees to various defined contribution schemes. The amount of contributions due to these schemes at the year ended 31 December 2019 was £3,000 (2018: £3,000).

11. Tangible fixed assets

Group

	Leasehold improvements £'000	Vehicles £'000	Machinery & equipment £'000	Computer equipment £'000	**Total £'000**
Cost					
At 1 January 2019	219	441	407	150	**1,217**
Exchange differences	-	-	-	-	**-**
Additions	-	-	-	14	**14**
Removal of Sidai fixed assets	(137)	(434)	(374)	(75)	**(1,020)**
At 31 December 2019	82	7	33	89	**211**
Depreciation					
At 1 January 2019	(149)	(256)	(159)	(108)	**(672)**
Exchange differences	-	-	-	-	**-**
Removal of Sidai fixed assets	74	263	135	50	**522**
Charge for the year	(7)	(11)	(7)	(12)	**(37)**
At 31 December 2019	(82)	(4)	(31)	(70)	**(187)**
Net book value					
At 31 December 2019	-	3	2	19	**24**
At 31 December 2018	70	185	248	42	**545**

Following the change in ownership of Sidai on 9 April 2019 Sidai ceased to be a subsidiary of Farm Africa. The cost and accumulated depreciation of tangible fixed assets owned by Sidai Kenya Ltd are therefore removed from the consolidated Group tangible fixed assets at that date.

Charity

	Leasehold improvements £'000	Vehicles £'000	Machinery & equipment £'000	Computer equipment £'000	**Total £'000**
Cost					
At 1 January 2019	82	7	33	75	**197**
Additions	-	-	-	14	**14**
Disposals	-	-	-	-	**-**
At 31 December 2019	82	7	33	89	**211**
Depreciation					
At 1 January 2019	(82)	(3)	(31)	(60)	**(176)**
Disposals	-	-	-	-	**-**
Charge for the year	-	(1)	-	(10)	**(11)**
At 31 December 2019	(82)	(4)	(31)	(70)	**(187)**
Net book value					
At 31 December 2019	-	3	2	19	**24**
At 31 December 2018	-	4	2	15	**21**

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 £644,000 (2018: £503,000). 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 2019	71
Exchange differences	-
Removal of Sidai fixed assets	(71)
At 31 December 2019	-
Depreciation	
At 1 January 2019	(48)
Exchange differences	-
Charge for the year	(2)
Removal of Sidai fixed assets	50
At 31 December 2019	-
Net book value	
At 31 December 2019	-
At 31 December 2018	23

Intangible fixed assets comprise acquired application software for accounting, sales and payroll.

Following the change in ownership of Sidai on 9 April 2019 Sidai ceased to be a subsidiary of Farm Africa. The cost and accumulated depreciation of intangible fixed assets owned by Sidai Kenya Ltd are therefore removed from the consolidated Group intangible fixed assets at that date.

There are no intangible fixed assets held by the Charity.

13. Investments

	Investment in subsidiary undertakings £'000
Net book value	
At 1 January 2019	1
Increase / (decrease) in investment value	(1)
At 31 December 2019	-

The table below shows the Charity's interests in subsidiaries and investments at 31 December 2019:

Company	Investment classification	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Farm Africa Trading Limited (company number: 7398449)*	Subsidiary	UK	100% owned by Farm Africa	Trading activities
Farm Africa Enterprises Limited (company number: 9359340)*	Subsidiary	UK	100% owned by Farm Africa	Holding company
Farm Africa Intellectual Property Limited (company number: 7401279)*	Subsidiary	UK	100% owned by Farm Africa	IP and registered trade marks
Sidai Africa Limited (formerly Farm Africa Enterprises Limited) (company number: 7401522)*	Investment	UK	24.5% owned by Farm Africa Enterprises Limited[1]	Holding company
Sidai Africa (Kenya) Limited (formerly Sidai Africa Limited)**	Investment	Kenya	796,073 shares owned by Sidai Africa & 1 share owned by Farm Africa	Provision of veterinary services

* 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

As at 31 December 2019 Farm Africa's holding in Sidai Africa is 24.5%. Where an investing charity holds, either directly or indirectly, 20% or more of the voting power of a company, the general presumption is that the investing charity exercises significant influence over the company, and the company should be classified as an associate. However, the trustees consider that Farm Africa does not exercise significant influence over Sidai. They have concluded this on the basis that it does not actively influence strategic or operational decision-making at Sidai, has no representation on the Sidai board of directors, and does not provide financial assistance, expertise or advice to Sidai. Farm Africa's holding in Sidai Africa (and indirectly Sidai Kenya) is therefore classified as an investment.

The results for the year of the active subsidiaries[2] are shown below.

	Sidai Africa (Kenya) Limited		**Sidai Africa Limited**		**Farm Africa Trading Limited**	
	2019	2018	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Total incoming resources	**388**	2,832	**-**	100	**179**	150
Total resources expended	**(747)**	(3,332)	**(17)**	(162)	**(117)**	(111)
Retained surplus / (deficit) for the year	**(359)**	(500)	**(17)**	(62)	**62**	39
Total assets	**-**	2,145	**-**	1,206	**257**	153
Total liabilities	**-**	(2,457)	**-**	(325)	**(190)**	(148)
	-	(312)	**-**	881	**67**	5

[1] On 9 April 2019 Sidai Africa Limited secured a US$2.25million equity investment from Devenish Nutrition, a leading agri-tech company headquartered in Northern Ireland. As a result of this investment Devenish became the largest shareholder in Sidai, with 42%. Farm Africa's shareholding is 24.5%, and the other shareholders are the Adolf H Lundin Charitable Foundation (28%), and the Sidai Kenya CEO (5%). Since Sidai continued to meet the FRS102 definition of a subsidiary until 9 April 2019 its financial results are fully consolidated in to the Farm Africa consolidated financial statements for 2019. However, following the change in share ownership Farm Africa no longer exercises control or significant influence over Sidai and therefore hold this as an investment as at 31 December 2019.

[2] For Sidai Africa (Kenya) Limited and Sidai Africa Limited the results for the year are included until 9 April 2019.

14. Debtors

	2019 Group £'000	2019 Charity £'000	2018 Group £'000	2018 Charity £'000
Amounts owed by subsidiary undertakings	**-**	**171**	-	261
Trade debtors	**141**	**132**	135	83
Other debtors	**47**	**47**	194	72
Prepayments	**143**	**143**	79	79
Accrued income – other	**33**	**21**	184	134
Accrued income – project grants	**1,448**	**1,448**	793	793
	1,812	**1,962**	1,385	1,422

15. Creditors: Amounts falling due within one year

	2019 Group £'000	2019 Charity £'000	2018 Group £'000	2018 Charity £'000
Trade creditors	**80**	**62**	1,064	101
Deferred income	**40**	**40**	-	-
Other creditors and accruals	**418**	**416**	318	312
Loan from Adolf H. Lundin Charitable Foundation	**-**	**-**	195	-
Loan from Global Partners	**-**	**-**	65	-
Grant obligations	**118**	**118**	-	-
Bank loan	**-**	**-**	9	-
	656	**636**	1,651	413

Charity and Group

	2019 £'000	2018 £'000
At 1 January	**-**	575
Grants paid to partners in settlement of obligations at year-end	**-**	(575)
New grant obligations	**118**	-
As at 31 December	**118**	-

16. Creditors: Amounts falling due in more than one year

	2019 Group £'000	**2019 Charity £'000**	2018 Group £'000	2018 Charity £'000
Loan from the Adolf H. Lundin Charitable Foundation to Sidai Africa (Kenya) Limited	**-**	**-**	1,089	-
Global Partners	**-**	**-**	82	-
	-	**-**	1,171	-

In the prior year the loan represented three loan agreements. The first was 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 represented $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.

The Global Partners loan represented a $250,000 loan facility signed on 28 March 2018. The repayment is required to be paid on a quarterly basis, with the first repayment paid on the 20th June 2018. The loan accrues interest at a rate of 8.75% per annum.

Following the change in ownership of Sidai on 9 April 2019 Sidai ceased to be a subsidiary of Farm Africa. The loans held by Sidai Kenya Ltd are therefore removed from the consolidated Group creditors at that date.

17. Provisions for liabilities and charges

Charity and Group

	Severance £'000	Potential non-recoverable advance £'000	Dilaps £'000	Sidai mgt. fee £'000	**Total 2019 £'000**	Total 2018 £'000
At 1 January	114	-	15	74	**203**	233
Amounts released to the Statement of Financial Activities	-	-	-	-	**-**	(132)
Amounts charged to the Statement of Financial Activities	52	26	-	-	**78**	133
Amounts used during the year	(73)	-	-	(74)	**(147)**	(31)
As at 31 December	93	26	15	-	**134**	203

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.
- 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.
- Provision for potential non-recovery of an advance issued to a project sub-partner (Twin) which entered administration on 8 October 2019. At the point it entered administration Twin had been advanced €30,000 restricted funding by Farm Africa (the lead grantee on the project). To date it has not been possible to trace or recover these funds. As lead grantee Farm Africa is financially accountable to the donor (EU) in respect of any funds which cannot be accounted for. The provision offsets a receivable balance included within debtors.

18. Movements in funds

	At 1 January 2019	Income	Expenditure	On revaluation	Minority interest	Disposal of subsidiary	**At 31 December 2019**
	£'000	£'000	£'000	£'000	£'000	£'000s	**£'000**
Ethiopian programmes	4,900	8,808	(8,117)	-	-	-	**5,591**
Kenyan programmes	62	2,169	(1,481)	-	-	-	**750**
Tanzanian programmes	233	891	(1,053)	-	-	-	**71**
Ugandan programmes	55	881	(1,119)	-	-	-	**(183)**
UK programmes	(55)	440	(360)	-	-	-	**25**
Sidai programme	1,155	-	(260)	-	(42)	(853)	**-**
Forestry programme	59	-	-	-	-	-	**59**
Other miscellaneous restricted funds	52	-	-	-	-	-	**52**
Movement on restricted funds	6,461	13,189	(12,390)	-	(42)	(853)	**6,365**
Designated funds – Sidai Africa	(1,546)	388	(504)	-	(19)	1,681	**-**
General funds	1,563	1.918	(2,116)	-	-	-	**1,365**
Movement on unrestricted funds	17	2,306	(2,620)	-	(19)	1,681	**1,365**
Total movement on reserves	6,478	15,495	(15,010)	-	(61)	828	**7,730**

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.

The designated funds set aside for Sidai Africa represented the net assets of the subsidiary within the consolidated financial statements less any restricted funds received specifically to fund Sidai's activities. As at 31 December 2018 this was a negative balance, meaning that Sidai's unrestricted funds were in deficit.

Following the change in ownership of Sidai on 9 April 2019 Sidai ceased to be a subsidiary of Farm Africa and its funds were removed from the consolidated Group funds.

The movements in funds in 2018 are presented below.

	At 1 January 2018	Income	Expenditure	On revaluation	Minority interest	At 31 December 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Ethiopian programmes	2,838	8,257	(6,195)	-	-	4,900
Kenyan programmes	113	1,403	(1,454)	-	-	62
Tanzanian programmes	(53)	2,193	(1,907)	-	-	233
Ugandan programmes	69	691	(705)	-	-	55
UK programmes	-	144	(199)	-	-	(55)
Sidai programme	573	1,320	(946)	319	(111)	1,155
Forestry programme	59	-	-	-	-	59
Other miscellaneous restricted funds	52	-	-	-	-	52
Movement on restricted funds	3,651	14,008	(11,406)	319	(111)	6,461
Designate funds – strategic investment	171	-	(171)	-	-	-
Designated funds – Sidai Africa	(922)	1,886	(2,446)	(183)	119	(1,546)
General funds	1,717	2,167	(2,321)	-	-	1,563
Movement on unrestricted funds	966	4,053	(4,938)	(183)	119	17
Total movement on reserves	4,617	18,061	(16,344)	136	8	6,478

19. Minority interest

	Unrestricted funds	Restricted funds	Total funds
	£'000	£'000	£'000
At 1 January 2019	119	(111)	8
Movement in the year	(119)	111	(8)
At 31 December 2019	**-**	**-**	**-**

20. Net assets analysis (Group)

	Unrestricted funds	Restricted funds	Total funds
	£'000	£'000	£'000
Fund balances at 31 December 2019 are represented by:			
Tangible and intangible fixed assets	24	-	24
Net current assets	1,341	6,365	7,706
Total	1,365	6,365	7,730
Fund balances at 31 December 2018 are represented by:			
Tangible and intangible fixed assets	567	-	567
Net current assets	(550)	6,461	5,911
Total	17	6,461	6,478

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 2019 Farm Africa has the following commitments under non-cancellable operating leases:

	Equipment	Property	**Total 2019**	Total 2018
	£'000	£'000	**£'000**	£'000
In less than one year	15	167	**182**	151
Between one and five years	47	142	**189**	20
Later than five years	-	-	**-**	-
	62	309	**371**	171

23. Related party transactions

There were no related party transactions requiring disclosure other than transactions with subsidiaries (2018: none).

Farm Africa charged a service fee of £5,000 (2018: £26,000) on behalf of Sidai Africa in the period prior to the change in ownership of Sidai Africa on 9 April 2019. Farm Africa did not pay any costs on behalf of Sidai Africa (2018: £9,000).

Farm Africa Limited charged a management fee of £22,000 (2018: £22,000) to Farm Africa Trading Limited. At 31 December 2019, Farm Africa Trading owed £171,000 (2018: £145,000) to Farm Africa Limited. Farm Africa Trading will make a donation of £62,000 (2018: £nil) to Farm Africa in 2020.

24. Parent company result

The parent company generated a surplus of £799,000 (2018: surplus £1,863,000).

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 2019, 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 £93,000 (2018: £91,000).

26. Legacies

The estimated value of legacies notified but neither received nor included in income is £10,000 (2018: £22,000).

27. Capital commitments

There were no capital commitments outstanding as at 31 December 2019 (2018: none).

28. Post balance sheet events

Since the year end the Covid-19 pandemic has taken hold globally. The pandemic will affect our ability to carry out programme activities on the ground in Africa in the short term and we expect that income from donations will be lower than anticipated, principally as a result of the cancellation of a number of fundraising events. The Trustees are actively managing the impact as detailed in the Going Concern statement, and there have been no material changes to activity since the balance sheet date.