FARM AFRICA

2020 Annual Report and Financial Statements

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Trustees' Report

Report of the Chair

Welcome to Farm Africa's 2020 Annual Report, where we reflect on some of last year's achievements in working towards our vision of a resilient rural Africa where people and the environment thrive.

We are proud to have reached more than one million people across eastern Africa in 2020 with support that is needed now more than ever. Many of the smallholder farmers and pastoralists we support across eastern Africa are living on the edge. In the face of climate change, the pandemic, civil unrest and global commodity price fluctuations, farmers and rural businesses lack the safety nets and resilience to bounce back from shocks.

The case studies in this report outline how Farm Africa has helped smallholder farmers gain access to the markets, high-quality inputs and finance needed to drive prosperity. You'll read how we've supported agro-pastoralists to secure access to adequate water, fodder and healthcare for the livestock on which they rely.

The Covid-19 pandemic has posed many obstacles, but our dedicated teams have worked hard to innovate and adapt so they could continue wherever possible to support rural communities to maintain or increase their incomes while sustainably managing the natural resources around them.

While it was no doubt a challenging year, 2020 also brought new opportunities and new beginnings. We were delighted to welcome Dan Collison as the organisation's new CEO in May and at the end of the year to appoint Ken Caldwell as a new trustee. We were also pleased to embark on some innovative projects.

With funding from USAID's Feed the Future Partnering for Innovation programme we started working in partnership with Root Capital to help coffee cooperatives in Uganda, Rwanda and DR Congo reduce the risk that volatile prices in the global coffee market pose to smallholder farmers' income. In Kenya, funding from the Open Society Foundations enabled us to continue building a resilient and inclusive policy environment for the development of Kenya's aquaculture sector.

We are hugely grateful to the many individuals and organisations who have extended support to Farm Africa over this challenging year, without whom none of our work would be possible. Our sincerest thanks go to you all on behalf of the communities we serve.

John Reizenstein

Chair

24 June 2021

Report of the Chief Executive

Having started at Farm Africa in May 2020, this is my first Annual Report letter. Despite lockdown meaning I have not had the opportunity to meet many of you in person, I am grateful for having been able to connect virtually with many of Farm Africa's supporters, partners and staff. Many thanks to everyone who has extended such a warm welcome to me in a year that has been like no other.

I am honoured to have been appointed as CEO of an organisation I have admired for many years. Each day in post has heightened my understanding of the difference Farm Africa makes by supporting sustainable livelihoods for rural communities in eastern Africa.

I have huge respect for the expertise and knowledge of our colleagues and partners across Ethiopia, Kenya, Uganda, Tanzania and DR Congo, who work so hard to ensure the communities we support have the opportunity to make a decent living today, while protecting the environment for tomorrow.

That work was more challenging than ever in 2020, disrupted by crises including the Covid-19 pandemic, swarms of desert locusts, severe floods and conflict. In the face of these challenges, the impact of our work has been all the more profound, helping to ensure that farmers can withstand shocks and still provide for their families.

Anna, a participant in our Livestock for Livelihoods programme (see pages 8-9), used to rely on her harvests to feed her family in Karamoja, Uganda. She told us: "When it is rainy or windy, the crops get destroyed and we have nothing to give the children." With Farm Africa's help, Anna will have other options in future. As well as growing crops, she now rears goats, which produce milk and meat, a source of both income and food. She is also taking part in a savings association, giving her access to credit so she can now be sure there will be money available for essentials such as school fees.

The year 2020 marked the final year of Farm Africa's previous strategy. I am proud to present this Annual Report at the same time as we formally launch our new 2021-2025 strategy, details of which can be found on pages 6-7.

The last year has demonstrated the resilience of the communities that we work with, as well as the resilience of our organisation. As we plan for the years to come, I hope we can count on your support to help transform lives for millions more people like Anna and her family.

Dan Collison

Dan Collison

Chief Executive

24 June 2021

Strategic Report

This section presents Farm Africa's mission, values and strategic goals. It reflects on the achievements of the recently completed five-year strategy period, and looks forward to the priorities outlined in the new strategic plan (2021-2025). The section summarises Farm Africa's achievements in 2020, particularly in light of the Covid-19 pandemic, and outlines our goals for 2021.

Vision, mission and values

Farm Africa's vision is of a resilient rural Africa where people and the environment thrive.

Effective agriculture transforms lives, underpins resilient food systems, and protects natural resources. Farm Africa supports a just rural transition for farmers and farming communities in eastern Africa, which improves yields, improves food quality and safety, and increases household income. Our technical approaches to sustainable agriculture, market engagement and protecting the environment have the greatest impact when they are integrated in an holistic effort, connecting smallholder farmers to thriving markets and transforming subsistence agriculture into a sustainable business.

We are ambitious 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. Climate challenges and the importance of resilient food systems in managing risks such as the current pandemic demonstrate the immediate and increasing relevance of Farm Africa's work.

Our mission

To promote sustainable agricultural practices, strengthen markets and protect the environment in rural Africa.

Our values

- **Expert**: Expertise and insightful evidence-based solutions are at the heart of everything Farm Africa does;
- **Grounded**: Our teams and partners work closely with local communities, engaging them in every level of decision-making;
- **Impactful**: We deliver long lasting change for farmers, their families, and the environments they live in;
- **Bold**: We model innovative approaches and are not afraid to challenge strategies that are failing.

2016 – 2020 strategy

2020 marked the final year of a five-year strategic plan. Before embarking on the new strategic planning process we reflected on the achievements of this plan as well as what did not go as expected.

The three thematic priorities have proven to be very clear and relevant, describing our technical approaches in detail. The business development and market systems approaches have emerged as an important priority, bringing engagement with a wide range of private sector partners to our programmes. Geographical expansion has been achieved through the growth of the programme in Uganda and through new project partnerships in the Democratic Republic of Congo (DRC). Farm Africa has seen impressive growth in restricted funding (from £5m pa to £10-12m pa) and the consistent application of a 15% cost recovery approach. There has been a shift in the management and leadership balance from the UK to eastern Africa, with some progress broadening diversity in leadership. Cost control has been robustly maintained and Farm Africa has an impressive 'charitable ratio' at +/-94%.

There are some areas of the plan that did not deliver as originally expected, including a decline in unrestricted funding and less progress than expected in capturing evidence for change and describing methodologies for Farm Africa's gender and youth work.

New strategy development

In the last quarter of 2020 we activated a participatory process to develop a new strategic plan for Farm Africa (2021-2025). This involved extensive consultation with staff, partners and external advisors to understand the achievements of the last strategy, update our understanding of the regional and sector context, and determine priorities and objectives for the new plan.

The great strength of the previous strategy was the clear articulation of Farm Africa's three thematic priorities: **agriculture**, **business development**, and **environment**.

In **agriculture**, our programmes will continue to support farmers to transition from subsistence to commercial livelihoods. Access to better inputs, technology and information improves income and makes livelihoods more resilient to shocks. Our projects improve yields and quality across multiple value chains, including coffee, sorghum, livestock and edible oil seeds and horticulture. Our climate-smart approaches help mitigate the effects of climate change.

Market engagement improves farmers' linkages to local and international markets, emphasising **business development**, access to financial services and support to the small and medium-sized enterprises that are a crucial intermediary between producers and markets. Our links with food industry sector partners have strengthened our offer in corporate social responsibility.

Our work on protecting the **environment** builds on Farm Africa's experience in landscape management, including participatory forest management and payment for ecosystem services. Progress in avoiding deforestation has developed our role in carbon sequestering, promoted alternative livelihoods for forest communities, and we have seen our approaches endorsed and supported by governments in the region for replication at scale.

While agreeing that these should still form the foundation of our programmatic objectives, the world has changed since the last strategy was developed, and our new plan also takes account of:

- **Climate change and mitigation**: the climate crisis is accelerating in eastern Africa, and farming communities have to adapt quickly to climate shocks and unpredictable weather patterns. Regenerative agriculture becomes an even more important focus of this strategy.
- **Food systems**: the Covid-19 pandemic has illustrated the fragility and interconnectedness of local and global food systems. Understanding Farm Africa's work in the context of food systems opens up new relationships with corporate partners, strengthens our connection to markets and business development, and provides a strong platform for scaling our work through advocacy.
- **Women's economic empowerment**: Farm Africa has developed a strong track record in programmes that support women. The new strategy commits more focus to this, as well as to employment opportunities for young people.
- **Agriculture and technology**: developments in technology are moving quickly from digital extension services, to e-commerce. Our programmes will evolve to ensure that farmers can benefit from available technology, improving information flows and creating new market connections.

The strategy not only sets out our programmatic directions, it is a plan for the whole organisation. It commits the organisation to a culture of 'One Farm Africa' – emphasising transparent communication, accountability in decision making, and learning across teams. The code of conduct, safeguarding policy, and our security measures are prominent in this.

The plan also steers Farm Africa to a sustainable financial future which maintains strong reserve levels and delivers steady growth in restricted and unrestricted income. International aid flows are shifting as donors change priorities, with the UK's decreasing aid budget a clear indicator of this. New funding relationships will be needed to realise the strategy, including engaging with global climate funds and developing new ways of working with corporate partners.

Our activities and achievements

Farm Africa's programmes have continued to benefit smallholder farmers and their communities in 2020, despite the ongoing pandemic. We managed projects across five countries, reaching more than one million people in eastern Africa.

This section focuses on five of our projects, illustrating the impact our work has had in helping rural communities to increase their yields, improve the quality of their produce, build their links to market and manage natural resources sustainably.

Farm Africa's work varies from rearing goats to producing high-quality coffee to preventing deforestation, but all our work supports building our vision of a resilient rural Africa where people and the environment thrive.

We also outline Farm Africa's response to the impact of Covid-19 on the farmers we work with.

The Covid-19 pandemic

With no means to trade during enforced lockdowns, farmers in eastern Africa suffered damaging losses from unsold harvests. And without a way to access high-quality seeds and fertilisers, many struggled to keep their businesses alive.

In many parts of eastern Africa, the month of March is usually peak planting season. March 2020, however, saw the start of widespread disruption for farmers as the coronavirus pandemic took hold, triggering the closure of national borders, restrictions on movement within countries, curfews and reduced business hours. The pandemic limited farmers' access to labour, inputs and markets, pushed up their price of production and caused household incomes to plummet.

In June 2020 a rapid feedback survey undertaken of 419 smallholder horticultural farmers taking part in Farm Africa's Growing Futures project in Trans Nzoia County in western Kenya highlighted the extent to which the Covid-19 pandemic dealt smallholder farmers in eastern Africa a major economic blow.

A total of 69% of respondents reported lower than usual sales volumes while 67% reported that the price per kilo of produce had fallen. The impact of this reduced demand on farmers' earnings was clear, with 67% of respondents reporting a significant reduction in household incomes as a direct result of the pandemic. While feeling a squeeze on income, a majority of farmers also reported experiencing rising costs of both agricultural inputs and household essentials.

It is a burden the farmers were ill equipped to bear: half of the interviewees reported that they did not have an emergency fund.

Farm Africa's response

From March onwards, curfews, restrictions on the use of cars and motorbikes and social distancing requirements made necessary by the Covid-19 pandemic restricted our ability to reach communities and deliver training. However, we continued to operate wherever possible, helping farmers to overcome the additional struggles they faced in accessing labour, inputs and markets, while implementing measures to keep our staff, partners and the communities we work with safe.

In Kenya, we adapted our approach to the Growing Futures youth horticulture project by delivering support to individual farms rather than delivering group training. We advised farmers to stagger their harvesting and grading schedules to maintain social distancing; improved hygiene standards and helped deliver agricultural inputs to farms.

Additional funding totalling £175,000 from the Waitrose & Partners Foundation helped Farm Africa support Kenyan farm workers and smallholder farmers in the Waitrose & Partners supply chain. The funds were used to develop healthcare and sanitation measures to prevent the spread of Covid-19, improve workers' access to essential services such as healthcare and childcare, support workers on reduced earnings through food packages and help smallholder farmers to restart the supply of vegetables.

Innovative adaptations to planned activities mean that in some cases we were able to reach more farmers than initially planned. In northern Uganda, in addition to securing permission from local authorities to continue our in-person training sessions on chilli production, funded by aBi Development Ltd, to smaller groups, we introduced radio training sessions that were accessible to a wider audience.

In Ethiopia, our project promoting climate-smart agriculture, funded by Sida, adapted plans to deliver training on the production of high-value crops. Instead of training farmers directly, our staff delivered training to development agents and local government staff, who in turn cascaded the training to larger groups of farmers than originally planned.

Farm Africa also worked alongside local governments in Ethiopia to protect farmers and pastoralists by distributing materials such as infrared thermometers, personal protective equipment, cleaning materials and water containers to district Health Bureaus. We also raised awareness among project participants of the importance of social distancing, regular handwashing and avoiding group meetings.

In Uganda, funding from Irish Aid enabled Farm Africa to step in and cover Community Animal Health Workers' fees to spray, deworm, treat and vaccinate goats belonging to women taking part in our Livestock for Livelihoods project, whose ability to save was disrupted by the pandemic.

"The Waitrose food package really helped me when the Covid-19 pandemic had hit the country hard since our salaries had been reduced. I managed to save funds that could have been used for food purchase and directed them to other basic needs." - Joyce Kariuki, a farm worker from Tambuzi, Kenya, receiving support from Farm Africa and the Waitrose & Partners Foundation.

Livestock for Livelihoods

Farm Africa is unlocking the power of goats to transform the lives of pastoralist women and their families living in the drylands of South Omo in Ethiopia and Karamoja in Uganda. These are two of the poorest areas in eastern Africa – with a harsh, unpredictable climate that can make it impossible to grow crops or keep cattle healthy. In both locations, many pastoral households rear goats, predominantly for meat, but productivity is constrained by poor access to veterinary and breeding services, and a shortage of fodder and water.

Set up in 2018, our Livestock for Livelihoods project is helping more than 10,000 women in South Omo and Karamoja increase their incomes by setting up goat-rearing enterprises. We are also raising awareness about the nutritional value of goats' milk and balanced diets, and demonstrating how to build kitchen vegetable gardens that make good use of the goats' manure.

Using a revolving goat scheme, we have set up Women's Livestock Groups, each formed of 20 to 30 vulnerable women, many of whom are mothers of young children. Half or a third of the group members receive two or three does (female goats) each from Farm Africa, on the understanding they pass on two or three female goat kids to another woman in the group once the doe has reproduced.

The men in the communities involved in the project were at first resistant to see the elevation of women's status, but over time this has changed. Between the start of the project in 2018 and the end of 2020, the average number of goats in the women's herds had grown from four to 12 in Uganda and from eight to 17 in Ethiopia.

Animal health

Healthy goats produce more kids, milk and meat. Farm Africa has helped women develop the goat husbandry skills they need to keep their goats in good health by delivering practical lessons on feeding, housing, breeding, disease management, fodder and rangeland management. To reduce overgrazing of the rangelands we've encouraged project participants to grow forage and indigenous fodder trees that have multiple benefits (shade, wind breaks, fodder and medicinal plants).

A household survey in Ethiopia in 2020 showed 90% of respondents had adopted better goat feeding, using fodder including hay, crop residues and fodder trees, while 70% had constructed improved goat shelters.

We have trained a network of Community Animal Health Workers (CAHWs) who provide basic veterinary services such as vaccination and de-worming of goats, and spraying them to keep parasites at bay. In 2020, the CAHWs dewormed a total of 27,446 goats, sheep and cattle in Ethiopia and more than 500,000 goats, cows, sheep, donkeys and camels in Uganda.

Improved goat breeds

Farm Africa helps communities to cross-breed local does with exotic, high-yielding breeds of buck: Toggenburg in Uganda and Boer in Ethiopia. The offspring produce more milk and meat than local goats, which tend to produce very little milk.

Higher yields of milk and meat mean that women are able to earn more money from their goats, as well as improve their families' diets. A household survey of project participants in

Ethiopia in 2020 showed half of children under five years old were now drinking goats' milk, compared to 12% in 2018.

In Uganda, the highest average annual production of goats' milk in 2020 was seen in the Kotido District, at 73 litres per household, compared to 19 litres per household in the lowest-producing district (Nakapiripirit). In Kotido, the goats' milk proved to be invaluable for families' survival due to the lack of other available food in light of flooding and insecurity, which both reduced agricultural yields.

Access to finance

As of March 2020, a total of 7,546 women (2,686 in Uganda, 4,860 in Ethiopia) were taking part in Village Savings and Loan Associations (VSLAs) organised by Farm Africa, where members make weekly contributions into three funds:

1. The goat fund, which is used to pay for health services for the goats.
2. The welfare fund, which offers interest-free loans to cope with emergencies such as sickness of a family member.
3. The savings fund, which issues small loans for women to set up businesses, such as goat fattening businesses, which enable them to increase their incomes. The average size of loan issued in Ethiopia in 2020 was 1,724 Ethiopian birr (about £30).

According to Farm Africa's baseline report undertaken at the start of the project in 2018, 69% of women in Karamoja and 37% of women pastoralists in South Omo were living below the poverty line of US$1.90/day. As of March 2020, household incomes had more than doubled compared to the start of the project.

The Livestock for Livelihoods project is funded with UK aid from the UK government and Jersey Overseas Aid.

"Today I told my children I am going to the group to get the goats. They were so happy that Mummy was going to bring home goats." - Longole from Karamoja, Uganda, received two goat kids from Theresa in March 2020. The women's story was featured in the BBC Radio 4 appeal for Farm Africa, presented by Sir Michael Palin, which was broadcast on 13 December 2020, raising £67,000 including Gift Aid.

Restoring and preserving Ethiopia's Bale-Eco region

Farm Africa is working with NGOs and the local government to protect rivers, forests and grasslands; diversify livelihoods and reduce poverty in the Bale Eco-region.

The Bale-Eco region, a biodiversity hotspot in Ethiopia's Oromia region, is at risk from land degradation. Already home to 1.6 million people, its growing population is using the area's natural resources at an unsustainable rate. Deforestation for farmland expansion is very high, while overgrazing of livestock is leading to a shortage of pasture. Coupled with climate change, this is threatening the region's diverse landscape and endangered species of flora and fauna, and increasing the vulnerability of the communities who depend on the land and rivers for their livelihoods. More than 12 million people rely on the region's rivers for their water supply.

With funding from the European Union's Supporting Horn of Africa Resilience (SHARE) initiative and Jersey Overseas Aid, Farm Africa is leading a consortium of NGOs to help local people sustainably manage the Bale Eco-region and diversify their livelihoods to reduce reliance on unsustainable practices.

Diversifying livelihoods

In 2020, the project made a number of livelihood improvements including increasing the productivity of non-timber forest enterprises in coffee, honey, gum and resin. Overall, the project helped forest-based cooperatives produce 24,263kg of these four products, 5,059kg over the year's target. This has not only increased farmers' incomes but has provided an economic incentive for the community to protect trees, which along with producing gum and resin, provide pollen for bees, and shade for coffee plants and beehives.

Particular success was seen in coffee production in 2020. The project trained farmers on processing and post-harvest handling, which has increased coffee quality and enabled farmers to sell their coffee at higher prices to lucrative export markets.

Climate-smart agriculture

Farm Africa is working with local governments to provide access to small-scale irrigation systems and training for farmers on climate-smart agriculture (CSA) techniques to help increase productivity on existing agricultural plots and discourage the conversion of forest to farmland.

In 2020, 57% of female-headed households and 67% of male-headed households participating in the project were using at least three CSA techniques. This is a vast improvement for female farmers, as prior to the project only 10% of female-headed households were meeting this target.

Working with women and young people

The project is helping women and young people, who are often excluded from earning money, to engage in new income-generating opportunities. Women also tend to have low access to credit and technology, making them more exposed to the negative impacts of climate extremes and the depletion of natural resources.

Farm Africa supported five new women-led enterprises in 2020. The groups rear and breed goats for milk and meat. We've helped the businesses gain access to improved goat breeds, animal health services and sustainable fodder, applying the revolving goat scheme that is also being successfully used by our Livestock for Livelihoods project to a new context. The businesses generated an income of 233,000 Birr (approximately £4,000) for female members, who collectively sold 205 goats in 2020, surpassing the 2019 sales figure of 90 goats.

Alongside this, the project has set up three youth-led enterprises producing and selling energy-efficient cook stoves and sustainable charcoal. These businesses collectively sold 850 stoves in 2020, generating a revenue of 255,000 Birr (approximately £4,400). These businesses provide young people with income and also reduce the amount of wood being cut down for cooking purposes.

Covid-19

During 2020, the project team raised awareness about the Covid-19 pandemic and introduced training and equipment to prevent it spreading in the community and ensure the project could continue. The project team distributed personal protective equipment such as face masks, disposable gloves, gowns, overalls and infrared thermometers.

Economically empowering female coffee farmers

Farm Africa is working to close the gender gap in the coffee industry in Kanungu in western Uganda. We're working to provide women with greater autonomy at the household, farm and cooperative level.

Although women are the backbone of Kanungu's coffee industry, which fuels the local economy, it tends to be men who have control over the profits. Women undertake the majority of the work involved in growing, harvesting and drying the coffee. However, men have a near monopoly over the mechanised processing and marketing activities, meaning it is they who make the final sale and receive the payment, often excluding women from participating in financial decisions.

This is exacerbated by women's lack of access to land, coffee trees, finance and representation in coffee cooperatives, which help farmers to sell their coffee to lucrative markets, and provide supplies and services for coffee production.

With matched funding from the UK government for Farm Africa's 2019 Coffee is Life UK Aid Match appeal, we are providing 2,640 women in Kanungu with the support they need to access the coffee market, participate in coffee cooperatives, take on leadership roles, and change decision-making dynamics within households, so they can have more say over the profits generated from their agricultural efforts.

The project's results are significantly surpassing our expectations. In November 2020, a survey of 348 female coffee farmers taking part in the project found the women's economic empowerment in agriculture (WEEIA) score had increased to 85% from 22% in 2019. The score reflects the average percentage of women reporting that they have access to, and control over incomes; strengthened household level decision-making power; and increased access to resources and market opportunities. Our target had been to achieve a score of 40%.

After the Covid-19 pandemic struck, thanks to permission from the local government, the project was able to continue with adaptations including the provision of facemasks to participants to wear during training and meetings and the purchase of disinfectants to sanitise project materials.

Access to finance

The project is helping women save and invest in their businesses by providing women with access to financial resources through the establishment of 150 Village Savings and Loan Associations (VSLAs), groups where women are able to save together and share financial resources, and by linking the VSLAs to financial institutions.

Participation in cooperatives

Farm Africa held events for women promoting benefits of joining the cooperatives and have held awareness raising sessions on gender inclusion with cooperatives and the district government. We have supported cooperatives to amend their standard operating policies to be more gender-inclusive as well as introduce rigorous policies on disability inclusion, human resources, governance, lending, finance and accounting and have offered leadership training to women to help them fulfil positions of responsibility within cooperatives. At their recent Annual General Meeting, the Kanungu coffee growing cooperative elected its first female chairperson.

So far, the project has helped a total of 462 women to sell fair average quality (FAQ) coffee through four different coffee growing cooperatives.

Land use agreements

Often daughters in Kanungu receive markedly less land than sons, or are totally excluded from land agreements. We have held advocacy sessions promoting voluntary household land-use agreements where older generations and men give women and young people access to land on which to produce coffee. A total of 480 model households agreed to implement voluntary land-use agreements and demonstrate the benefits to their respective communities.

Gender Action Learning

We have used the Gender Action Learning System (GALS) approach to bring women and men together to explore the economic and social benefits of joint household planning and gender equality. So far, we have rolled out the GALS approach to 1,717 households, using a training of trainers approach, where we directly trained 320 young 'champion' trainers, who were tasked with replicating the training to other households.

The approach uses a series of visual diagramming tools to vision, analyse, plan and track actions involving each household member.

Forest-friendly businesses in Ethiopia's Central Rift Valley

Farm Africa is working with NGOs, communities and local governments to protect Ethiopia's Central Rift Valley from deforestation, land degradation and climate change, boosting livelihoods through forest-friendly businesses.

The diverse wildlife, lakes and forests of Ethiopia's Central Rift Valley (CRV) are at risk from deforestation, climate change and unsustainable use of natural resources. Since 1983, the area has lost 50 per cent of its forests.

Farm Africa is addressing these problems through a multi-stakeholder, integrated landscape approach, looking at the long-term opportunities across a variety of ecosystems including forests, agricultural land and rangelands, to harmonise the needs of people and the environment, and ensure rural communities develop livelihoods that also protect, restore and sustain their local natural resources.

Since the project started in 2019, deforestation has decreased to 2.27% in the areas in which Farm Africa works. Prior to this, 4% of forests were lost annually to deforestation. This decline is due to the introduction of forest-friendly businesses, a participatory forest management approach, climate-smart agricultural techniques such as mulching, composting, intercropping, integrated crop-livestock systems, and awareness raising within the target community, which have reduced local people's reliance on cutting down trees for their livelihoods.

Forest-friendly businesses and nature-positive production

Farm Africa has been working with smallholder farmers, cooperatives and community groups to build viable forest-based enterprises that give communities an economic incentive to protect the landscape.

With the support of partners and local government, Farm Africa has provided smallholder farmers with training and the resources to boost their productivity of non-timber forest products such as honey and fruit, and build their links to markets so they can get a fair price for their products.

Farm Africa has supported 434 farmers to use modern beehives and beekeeping practices. This has resulted in a threefold increase in honey production, and has contributed to an average 76% increase in household incomes.

Alongside this, the project is improving the productivity of smallholder farmers by introducing climate-smart agricultural techniques such as intercropping and use of improved varieties of crops. This is helping farmers protect ecosystems and reduce agriculture's contribution to climate change.

The project is also helping farmers to access improved seeds and nature-positive alternatives to chemical inputs through vermicomposting and integrated soil fertility management. Training is being provided on water conservation, crop rotation, agro-forestry and improved agronomic practices. These initiatives increased the productivity of the cash crops teff, maize and wheat. The average productivity of maize has risen from 23.4 quintals per hectare of land to 38.0 quintals, and wheat has increased from 26.2 to 35.0 quintals per hectare of land.

Pressure on forest resources has also been reduced by the introduction of green energy technology, such as household-level biogas systems, which turn household waste into renewable energy and reduce the communities' dependence on firewood from the forest.

"When we use biogas stoves, time spent collecting firewood is reduced, firewood consumption is reduced, the workload of women and children is reduced, and the cutting down of trees is reduced." - Gebre Beshno, 43-year-old beekeeper.

Overall, these initiatives have resulted in an increase in the annual gross income of households from 25,000 Ethiopian birr (£432 GBP) in 2019 to 44,000 Ethiopian birr (£760 GBP) per household per year in 2020.

Community-led park management in Senkelle

The project has helped communities to participate in natural park management in CRV to ensure wildlife and ecosystems are protected. This includes the Senkelle Swayne's Hartebeest Sanctuary (SSHS), an area covering 54km^2 that is home to one of Ethiopia's unique species, the Swayne's Hartebeest.

In 2020, the project team supported the construction of roof water harvesting facilities to supply drinking water to park animals, constructed a park gate and conducted awareness raising workshops and park management training to ensure community members can monitor and preserve the area successfully. As an incentive for this work and to create a sense of ownership over the park, community members are able to earn incomes from selling grass, responsibly harvesting it from an allotted plot of land in the park. Around 6,750 households are estimated to have earned 16 million Ethiopian birr (£275,000) from the sale of grass.

Covid-19

Faced with the challenge of the Covid-19 pandemic, the project distributed sanitation and hygienic materials such as hand sanitiser, face masks, gloves and liquid soaps to 12,500 people in the region including government staff. Farm Africa also collaborated with village health committees, peer educators and health workers to raise awareness of how to reduce the spread of coronavirus, reaching 25,000 people.

Boosting sorghum production in Tanzania

Farm Africa is bringing smallholder farmers together and equipping them with the skills and resources to transition from subsistence to commercial agriculture.

In Tanzania's Dodoma region, communities rely on sorghum for their food and income. Yet, despite growing demand for sorghum, climate shocks are depleting yields, and a lack of secure food storage facilities and poor handling processes see much of farmers' produce going to rot, pushing families into hunger.

Funded by Irish Aid through the World Food Programme, Farm Africa is supporting farmers to learn the best way to plant and grow improved sorghum varieties and achieve a surplus, even in drought conditions.

Improving yields

Farm Africa has linked farmers to suppliers from whom they can buy improved, drought-tolerant varieties of sorghum seed. The project has also established government-approved Quality Declared Seed (QDS) plots with local farmers to ensure a sustainable supply of local seed. We've provided training demonstrations on Good Agricultural Practices (GAP), contract farming and post-harvest handling to 8,858 smallholder farmers, including 4,325 women.

Alongside this, we have helped communities introduce climate-smart agricultural (CSA) techniques including agroforestry, conservation agriculture and crop rotation, and establish home gardens. In 2020, 13,857 smallholder farmers were applying at least one of the CSA best practices.

To promote best practice in post-harvest handling techniques, we've connected farmers to businesses that sell tarpaulins and sacks, which help keep their produce clean and dry, and we've offered training to farmers, warehouses and cooperatives on how to process and store produce safely.

Farmers working with Farm Africa in 2020 increased their yields and collectively produced 25,687 metric tonnes of sorghum per season, of which 10,274 metric tonnes were consumed by households and 10,742 metric tonnes were sold.

Linking farmers to buyers

Farm Africa is working to connect sorghum farmers to formal markets to ensure they are able to sell their produce for a fair price. Farmers have been trained on contract farming to ensure the sustainability of their business. In particular, the project facilitated formal linkages between 846 farmers and Tanzanian Breweries Limited, under an out-grower scheme in 2020. Tanzanian Breweries, who paid a premium of 200 Tanzanian Shillings per kilogram, provided farmers with seeds and crop insurance on credit at the start of the season to support production. Overall in 2020, 2,617 farmers sold sorghum to four contracted buyers, who collectively purchased 4,543 metric tonnes of sorghum for 2.4 billion Tanzanian Shillings.

Women and youth

In the Dodoma region, women have low access to land and capital as land inheritance often goes to male family members. This means that women tend to be at a disadvantage compared to men and are more likely to have lower crop production.

In order to address this inequality and ensure female farmers have access to the capital and skills they need to grow their businesses, Farm Africa is encouraging women to join Village Savings and Loan Associations (VSLAs), where they can save together and invest in each other's enterprises. In 2020, 4,064 farmers took out loans, with each farmer on average receiving 58,900 Tanzanian Shillings from VSLAs.

Alongside this, farmers have been joined and organised into local farmer groups. The year 2020 saw 8,257 women sign up to farmers groups and take part in training on GAP, post-harvest handling services and nutrition, and 356 adult women and 287 young people take on leadership roles within these organisations.

To help women and young people diversify their incomes and reduce their reliance on one crop, we have established clubs promoting income-generating activities such as keeping pigs and poultry, and cultivating vegetables and orange-fleshed sweet potatoes. Seventy-four women and 44 young people have received training in solar dryers (a cost-effective technology that uses solar energy to heat up and dry produce), vines, piggery and orange-fleshed sweet potato value addition skills.

"Improved seeds have increased my production, food security and income." - Elizabeth Kanuta.

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 2020.

Strategic objective	Annual goal	Outcome
Achieving impact at scale	In 2020 we will increase the number of people we reach directly through our projects to one million, and continue to reach many more indirectly in the wider communities in which we work.	In 2020, Farm Africa projects reached more than one million people directly through our projects and many more indirectly.
	We plan to sign grants and contracts with a total value of £10 million 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.	In 2020, Farm Africa has signed grants and contract value amounting to £3.7m. 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. In 2020 we were expecting to develop the Forest Sustainable Development programme with a value of £10.3m to start implementation in January 2021. Due to security issues and Covid-19 this was postponed and the proposal was submitted in 2021, with implementation expected to start in July/August.
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.	Both our integrated landscape programmes in Bale Eco-region and Central Rift Valley (CRV) continued to operate in 2020 under the State of Emergency (SoE) and utilising funds where possible to work closely with local government to protect communities and investments from Covid-19. Both programmes hosted their High Level Partner Forum (HLPF) which brought together regional and federal government stakeholders. In 2020, Farm Africa also deepened partnerships with a range of research and innovation partners including GALVmed, Nourish Scotland, the UK Agri-EPI Centre, and the University of Edinburgh.
	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.	In Ethiopia we have continued to work in Somali Region to improve and support livelihoods of both refugee and host communities addressing food security issues, strengthening agriculture practices through irrigation (using solar pumps) and linking communities to local market for their produce.
	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.	Farm Africa institutionalised formal community feedback mechanisms via our project performance reviews and continued work on standardised indicators and tools.
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.	Farm Africa has explored this through two channels. The first is strengthening market engagement work through our existing projects/programmes by supporting the Waitrose & Partners Foundation in protecting and securing their value chains suppliers in Kenya, increasing volumes through Good Agricultural Practices (GAP) and supporting farmer groups in sorghum, horticulture and sunflowers in Tanzania. Farm Africa also strengthened private sector partnerships in Tanzania via a sorghum supply pilot

		project in collaboration with a local brewery, and in Uganda where we brokered export agreements between four local cooperatives and a European coffee trader.
	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 continued to support 30 rural horticultural SMEs in Tanzania (56% of which are women-owned) as they dealt with the challenges of Covid-19 in terms of supply and sales disruption. Despite Covid-19, Farm Africa also executed the first round of training for managers of 30 coffee cooperatives in the region, representing over 130,000 farmers, in collaboration with a global social impact lender.
	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	We have secured loans for Kawa Kazururu and Coopade; both co-operatives in DRC. With our technical support we have enabled the co-operatives to ship delayed coffee from the main harvest, strengthen relationships with buyers, and expand exports to other countries with different types of coffee ranging from K3 to-K7 (where K3 is the highest quality). Additionally, work on organic trade certification was carried out with certification secured for both co-operatives in the first quarter of 2021. This will allow for premium prices and a wider range of coffee buyers in the near and medium-term future. Micro credit loans have been set up and processing support provided to coffee cooperatives in Uganda. In Ethiopia, Participatory Forest Management (PFM) practices have been expanded in our landscapes programme where coffee cooperatives are set up, and an international market for forest coffee has been identified for Bale Forest Coffee, complementing additional income being received through the carbon credits scheme.
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.	Development of Farm Africa's new five-year strategic plan (2021-2025) began in October 2020. Extensive consultations with staff, partners and external advisors were held, reflecting on the achievements of the last strategy, understanding the external context for the region and the sector, and considering priorities for the new strategic period. In December we presented initial priorities and objectives to the Farm Africa trustees, along with outline financial models, and on this basis proceeded to draft the strategy, which was signed off at the beginning of May 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 have reached out to multiple donors and partners to collaborate on potential interventions. In 2020, Farm Africa met with Tanzania Agricultural Development Bank for strategic partnership, Irish Aid in Uganda who have supported us with Covid-19 response for our Livestock for Livelihoods project, with KIT Royal Tropical Institute who are our partners in research on NRM and gender in Ethiopia, AGRA who have funded our Regenerative Agriculture project, and GiZ who are exploring potential sustainable land management initiatives with us.

	We will continue to promote diversity and inclusion, both within the organisation and through our programmes, and embed our code of conduct	The focus for Farm Africa naturally shifted in 2020 to supporting staff through the Covid-19 crisis. We did, however, reform our inclusion working group and there are plans to take inclusion forward both as part of our work to build One Farm Africa and as part of our new strategy.
Income and fundraising	We will explore innovative ways of fundraising in the light of Covid-19 and the UK lockdown, including "virtual" events.	Overall, fundraising performed very well in 2020, with support from our generous donors meaning we were able to raise more income that we had planned, through a mixture of planned and new activity. In 2020 Farm Africa launched its first series of online webinars – Farm Africa Live. This series of online events will continue in 2021, providing access to Farm Africa's work for a wide audience.
	We will carry out a wide-ranging review of how Farm Africa interacts with the UK food sector.	In 2020 work started on a review of how Farm Africa interacts with the UK food industry, which will feed in to the development of the fundraising strategy in 2021. We saw significant pressures and changes within the sector throughout 2020, which meant the work we had hoped to complete was delayed. However, we will use the insight gained in 2020 to drive our corporate partnerships strategy in 2021, which will look to grow our existing network within the UK food sector, providing corporate partners with the opportunity to support Farm Africa's work.
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.	Operating costs were tightly controlled and staff in the UK generously agreed to a temporary reduction in their pay to support the organisation through the toughest months of the pandemic, as well as participating in the government furlough scheme. As a result of this, the generous support of our donors, and the innovative adaptation of planned activities to continue our programmatic work despite the challenges of Covid-19, Farm Africa achieved a break even position on unrestricted funds in 2020.

Outlook for 2021

Goals for 2021 are informed by our long-term strategic priorities, as well as the very immediate challenges facing farming communities in eastern Africa:

- The Covid-19 pandemic continues to accelerate across the region. Vaccine coverage is limited, health facilities are over-stretched and markets continue to suffer disruption. Farm Africa programme delivery is impacted by the need to adjust project activities such as training for social distancing, and by the impact of lockdowns on normal market activity.
- Levels of conflict and insecurity have risen in the region. Armed clashes in eastern DRC, including in the areas around Virunga National Park, have disrupted the work of coffee cooperatives supported by Farm Africa. The conflict in Tigray in Ethiopia, while largely limited to that region, has resulted in widespread displacement and the suspension of activities planned by Farm Africa partners there.
- Locust swarms have continued to plague the Horn of Africa, the worst infestations for 70 years. Government authorities have responded with widespread control spraying programmes, and there are signs that dry weather has slowed the spread of the hopper bands, although prolonged dry periods now present a different threat to agricultural production.

Strategic objective	Annual goal
Supporting prosperous, sustainable and resilient rural communities	We will ensure investments in communities are protected by continual adaptive management and working effectively with all stakeholders involved. We will identify domestic and international market opportunities where farmers can secure higher incomes from their value chains. We will demonstrate impact for 500,000+ community members in projects closing in 2021.
Technical leadership	We will deliver three high-quality and impactful integrated landscape management projects in Ethiopia and deliver impact in the innovative Livestock for Livelihoods project at the nexus of livestock, rangeland management and household nutrition. We will generate insights and learning on rural agribusiness growth from our flagship Business Development Services (BDS) projects (Cultivate and DECIDE) and share learning and evidence on carbon credit verification and community benefit-sharing arrangements after Oromia Forest and Wildlife Enterprise's disbursement of income from carbon credits. We will do further work to standardise project indicators and tools - with a focus on income, resilience, and women's economic empowerment. We will participate meaningfully in the UN Food Systems Summit and/or COP26: United Nations Climate Change Conference.
Deepen our partnerships	We will continue to build partnerships between farmers and food and farming sector actors, with a particular focus on coffee, horticulture and agri-tech sectors. We will explore new partnership opportunities in non-core countries - for example, DRC (building on Virunga) and Liberia. We will further collaborations with three research organisations, universities and/or think-tanks. We will establish partnerships to scale our work with national entities in two countries - leveraging strong relationships with TADB in Tanzania, and the Government of Ethiopia.
One Farm Africa	We will continue to build a positive workplace culture, with greater sense of One Farm Africa, through improved cross team information sharing and working, improved leadership transparency, greater collaboration and transparency and trust. We will also continue to support our inclusion working group to embed into organisational practice and become a powerful change agent.
A sustainable financial future	We will continue to monitor the financial impacts of the Covid-19 pandemic and control operating costs, with the aim of achieving a break-even position for the year.
Achieve growth through diversity in funding	We plan to secure further grants and contracts to the value of £8.7million in 2021 to reach our income targets of £11.4million and £12.0million for 2021 and 2022 respectively. We will continue to explore partnerships with private sector actors as part of our project design and/or partners that strengthen our approaches with other donors. We will submit proposals to existing donors to scale our work and generate results and lessons that will support our growth and footprint with WFP, Sida, Packard Foundation, Irish Aid, EU and others. We will generate £1.7million of income in 2021 through fundraising activity, exploring areas of growth within our four key areas of fundraising – Individual Giving, Corporate Partnerships, Trusts & Foundations and Events. We will also develop a fundraising strategic plan that will identify areas of growth and help to diversify our fundraising portfolio. We will explore new areas of fundraising to supplement existing income, including but not limited to, increased online fundraising through the recruitment of a Digital Communications Officer, fundraising in new territories (USA) and developing further a philanthropic network of giving.

Financial report

In this section we set out Farm Africa's financial performance in 2020 and review its position at the end of the year. We continue to monitor the impact of the Covid-19 pandemic on Farm Africa's reserves and its management of financial risk, including implications for the trustees' assessment of the organisation's going concern status.

Financial performance

Income

Farm Africa receives income principally from three sources:

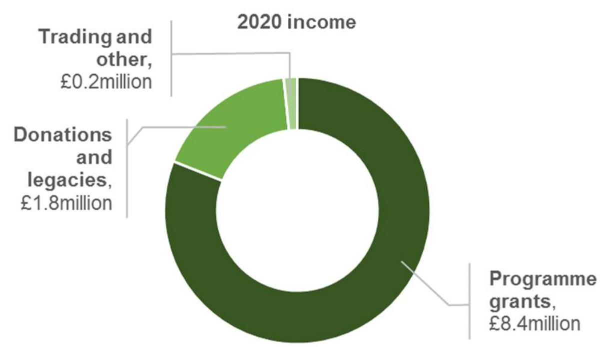
- Grants from governments, institutions and other major donors to fund specific projects (restricted funding);
- Corporate sponsorship income via our trading subsidiary Farm Africa Trading Limited (unrestricted funding); and
- Donations, legacies, and other fundraising activities (unrestricted funding).

Total income in 2020 decreased to £10.4million (2019: £15.5million). This is mainly due to a fall in programme grants of £4.8million, which can be due to the timing of receipts according to the terms of the grants in progress in a given year, but also reflects a reduction in the number of new grants awarded in a time of uncertainty as donors cautiously monitored the unfolding impacts of the pandemic.

Programme grants remained the largest funding stream at £8.4million (2019: £13.2million). This included income on eight new projects including: the second phase of our project strengthening, consolidating and sustaining market systems for improved livelihood in Ethiopia, funded by the Swedish International Development Co-operation Agency; a grant from World Food Programme to support climate smart agriculture in Tanzania; and funding from Aldi for the next phase of the resilience to climate change approaches project in Kenya.

Donations and legacies remained steady, increasing slightly to £1.8million (2019: £1.7million), with our committed giving and responses to appeals remaining at pre-Covid-19 levels, and several significant legacies offsetting the inevitable loss of income due to the cancellation of in-person fundraising events.

The chart following shows the breakdown of income between the principal sources:



Expenditure

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

- Direct costs of implementing programmes in Africa;
- Fundraising costs; and
- Support costs, including head office staff and governance.

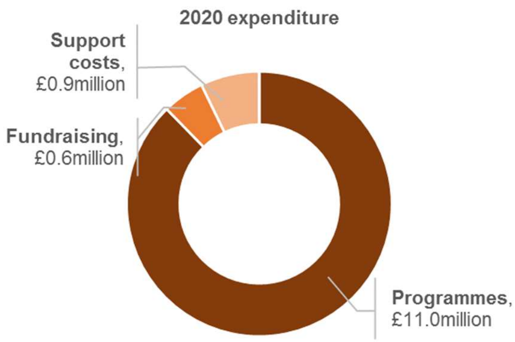
Total expenditure in 2020 fell to £12.5million (2019: £15.0million). Of this, £0.8million is in relation to the Sidai social enterprise costs included in 2019 until the change in ownership from April of last year.

Programme spend fell by £1.2million to £11.0million (2019: £12.2million excluding Sidai) with underspends in significant projects in Ethiopia due to procurement delays and security issues arising during the year.

Support costs decreased by £0.4million to £0.9million (2019: £1.3million), including reductions in travel due to Covid-19 restrictions as well as intentional cost control to sustain the organisation through this period of uncertainty.

Fundraising costs also fell by £0.2million to £0.6million (2019: £0.8million) with expenditure on events in particular reduced.

The chart following 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 deficit of £2.2million for 2020 (2019: surplus £1.2million). This is made up of a break even position on unrestricted funds (2019: surplus £1.3million) and a deficit on restricted funds of £2.2million (2019: deficit £0.1million).

The results for the prior 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.

Excluding the impact of this adjustment, the underlying result for 2019 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.

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.

Excluding Sidai, the unrestricted fund deficit for 2019 was £0.3million, and it is an achievement to have moved to a break even position in 2020, especially given the challenging circumstances.

In respect to the deficit on restricted reserves of £2.2million (2019: deficit £0.1million), 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 2020 this figure is a deficit having expended 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), for which the funding was received in advance in 2019. 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 has a closing restricted fund balance of £4.1million (2019: £6.4million).

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 four years, from £2.1million in December 2016 (excluding Sidai) to their current level of £1.4million. In 2020 Farm Africa achieved a break even position. This has been seen by the trustees as an important achievement compared to the previous four years during which Farm Africa ran consecutive budget deficits (excluding the impact of the removal of Sidai in 2019), principally due to the cessation of the DFID PPA after 2016, which was previously income to the unrestricted fund. Over the last four 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 2021 predicts another break even position, maintaining stability and the current level of reserves.

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

Reserves policy

Farm Africa's unrestricted reserves on 31 December 2020 were £1.4million and its closing restricted reserves were £4.1million.

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 2020. This was approved by the trustees at the December Board meeting and is the same level as the previous year. The reserves target considerably exceeds 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 could 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.

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 for a period of 12 months from the date of signing the accounts, 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 2021, reserves were still in line with the long term target.

The key risks in our financial model are a decline in income from unrestricted donations and legacies and a fall in programme expenditure leading to lower recovery of core costs.

Income from regular giving has remained steady over the past year and responses to appeals have exceeded expectations. However, events income continues to be impacted by Covid-19 restrictions and we remain cautious given the wider economic uncertainties still facing households across the country.

The pandemic may also continue to affect our ability to carry out programme activities on the ground in Africa. Although, as shown in the case studies detailed in our activities and performance, our programme teams have worked hard to find innovative adaptations to planned activities and in some cases we were able to reach more farmers than initially planned. Restrictions have also eased in several of the countries we work in. However, the potential for resurgences of the virus and intermittent disruptions continues.

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 continued impact however, as well as other external factors such as security issues and the upcoming elections in Ethiopia, means that programme expenditure and so the proportion of our core costs we can recover from restricted funds remains a risk.

In light of these factors, the trustees continue to review actual and forecasted results on a regular basis to assess the potential financial impact on Farm Africa and remain responsive to any increasing levels of risk. Together with the charity's management the trustees have considered what options are available to reduce core costs if necessary, to mitigate any impacts and maintain a viable financial position.

Scenario planning indicates that if programme spend continued to be impacted and was less than planned for 2021 and 2022, cost reductions identified could maintain unrestricted reserves at a minimum level of £1.3million through to June 2022.

We have also considered other scenarios in which programme spend in some months is significantly reduced due to events such as the Ethiopian elections or a further period of full Covid-19 restrictions in the first quarter of 2022. As well as adjusting for risk in our fundraising portfolio due to ongoing restrictions and economic conditions, and no significant investment in donor recruitment. In these scenarios reserves would decline at a faster rate, but with the implementation of the cost reductions identified, would not be reduced to a critical level for a period of at least 12 months from the date of signing these accounts.

The course and impact of the pandemic remains uncertain and the trustees are mindful that the financial outlook is subject to change. Therefore, they are reviewing the financial position closely on a regular basis, and updating expected future scenarios based on the actual results and any new information available. Trustees and management are actively pursuing further measures to increase fundraising income. Moreover, whilst the scenario planning does not indicate any immediate liquidity risks, if this changes then appropriate measures will be taken.

Our pipeline in 2021 of projects already secured or very likely to be secured is healthy, with contracts to the value of £18.4million signed at the time of writing this report, of which it is expected £10.1million will go towards our 2021 target of £11.5million. As well as benefiting from a generous legacy of £0.6million in 2021 from the Estate of Mr M Davies, which has enabled us to plan for the coming year with more certainty and modest investment where needed. We have also launched a new 5 year strategy from 2021 – 2025, supported by a steady financial plan, and with opportunities to benefit from our work and expertise in the mitigation of climate change, for which discussions with institutional and corporate donors are already 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 25 of this report.

Sir Michael Palin CBE and Sir Martin Wood OBE FRS DL kindly agreed to continue as patron and president respectively of Farm Africa during 2021.

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 25.

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 chairman, 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 2020 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 2020 under the chairmanship of Laketch Mikael. 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, chaired by John Reizenstein. It comprises no fewer than three trustees appointed by the board, with the chief executive as a non-voting member of the committee. The committee takes responsibility for identifying and proposing new board members and for their induction, support and development. 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 because all of its income is charitable and is applied for charitable purposes. Tax charges may arise in the trading subsidiary, in relation to any taxable profits not gifted to the parent charity in the year.

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 2020, Farm Africa had one directly owned and active subsidiary, Farm Africa Trading Limited, which enables us to receive sponsorship income from corporate partners in a tax efficient manner.

Farm Africa Trading Limited made a loss for the year before taxation of £52,000 (2019: profit of £62,000). 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 differ from one year to another.

Farm Africa no longer holds a controlling interest in Sidai following the change of ownership in April 2019. 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.

Farm Africa's risk register is reviewed quarterly by the Board of Trustees and monthly by the Senior Management Team. Priority risks that were reviewed and managed over the course of the year included:

i) Covid-19

At the onset of the pandemic in April 2020 staff safety measures were introduced for teams in eastern Africa and in the UK, budgets were revised to anticipate reduced income and programme spend, and substantial savings were made to the organisation's cost base. This included making use of the UK Government's furlough scheme and asking staff in the UK to accept temporary and limited pay reductions. Working-from-home arrangements were quickly established with limited disruption to business processes. No redundancies were made in response to the financial challenges resulting from the pandemic. The risk to our financial outlook was reviewed monthly, and steadily improved over the course of the year as unrestricted fundraising exceeded both revised and original forecasts, and programme spend gathered momentum. Farm Africa finished 2020 with a budget surplus, and this is recognised as a considerable achievement at the end of such a challenging year.

ii) Safeguarding

The safeguarding policy is an important part of Farm Africa induction, operations and culture. During 2020 we did not register any incidents on our safeguarding log, but recognised the need for refresher training across the organisation, and this was scheduled for all teams in the first quarter of 2021.

iii) Security

Farm Africa maintains a global security management policy, a stand-by crisis management, and country level security plans. During 2020 security risks and incidents were actively and effectively managed in Ethiopia and DRC. In Ethiopia, civil unrest in June and July following the killing of a prominent Oromo leader gave way to widespread violence. Farm Africa teams suspended programmes and entered hibernation mode in several locations across the country. Team communication and movement control during this period demonstrated excellent use of the security protocols. At the end of the year, violent conflict erupted in Tigray, with tension spilling into neighbouring regions. Again, clear action and communication on staff security kept Farm Africa teams and partners safe during this period.

Security has worsened in North Kivu, DRC, directly impacting Farm Africa's partner Virunga National Park as well as the coffee cooperatives that we are supporting. Farm Africa's technical support to this project was carried out remotely throughout the second half of 2020.

iv) Co-financing

Through a combination of UK government and EU grant contracts, Farm Africa had considerable co-funding obligations to meet over the next three years, with co-funding falling due within the next 12 months presenting a considerable challenge and risk to Farm Africa. SMT reviewed progress towards meeting this match funding monthly. Extra capacity was put into fundraising through trusts and foundations to help secure this co-funding.

Changes to UK Aid budget priorities have substantially reduced this risk in 2021.

v) Unrestricted funding

Farm Africa has not prioritised investment in unrestricted funding in recent years. While restricted grant income has grown, unrestricted has dropped, putting pressure on cost recovery and financial sustainability. 2020 saw a renewed emphasis on the role of unrestricted fundraising, and the response to the pandemic demonstrated the loyalty and generosity of Farm Africa supporters. Recruitment in the External Relations team has increased capacity for fundraising from corporate sources as well as trusts and foundations.

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 where generally 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 include 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. The data are 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 11.

Fundraising disclosure

In 2020 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 2020 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 2020 Farm Africa comprehensively updated the Board Guide, providing a clear induction for new and existing trustees on the specific responsibilities of board members. This followed on from the self-assessment of board effectiveness that was carried out in 2019. 2020 saw progress on three actions that came out of that review:

- Greater interaction between board and staff members: in spite of the restrictions on travel in 2020, we have a broader representation of staff members attending and contributing to board and committee meetings.
- An active role in setting strategic direction: the board has been closely involved and consulted in setting the priorities and direction for the new strategy, including the financial model.
- Enhancements to the trustee induction process: the new board guide is part of the comprehensive on-boarding of new trustees.

Farm Africa has requested our auditors to provide refresher training to the trustees in on the Charity Governance Code in September 2021.

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 who 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 24 June 2021 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

John Reizenstein

Trustees

John Reizenstein (Chair)
Judith Batchelar (Deputy Chair)
Nick Allen (Treasurer)
John Young (Board Secretary)
Minette Batters
Colin Brereton
Serena Brown
Jan Bonde Nielsen
Jane Ngige
Charles Reed
Laketch Mikael
Tim Smith
Ken Caldwell (appointed 8 February 2021)

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
55 Ludgate Hill
London EC4M 7JW

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 ('the charitable company') and its subsidiaries ('the group') for the year ended 31 December 2020 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 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 2020 and of the group's 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 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:

- adequate and proper accounting records have not been kept; or
- the 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 20, 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 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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR) and Employment legislation. We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of voluntary and grant income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Finance, Risk and Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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.

NAMay

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

Date: 29th June 2021

Part 3

Financial Statements

Consolidated Statement of Financial Activities

(incorporating Income and Expenditure Account) for the year ended 31 December 2020

	Note	**2020** Unrestricted funds	Restricted funds	Total funds	2019 Unrestricted funds	Restricted funds	Total funds
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Income from							
Donations and legacies	2	**1,798**	**-**	**1,798**	1,719	-	1,719
Government grants	3	**59**	**-**	**59**			
Charitable activities							
General		**-**	**8,403**	**8,403**	-	13,186	13,186
Social enterprise trading income		**-**	**-**	**-**	388	-	388
Total income from charitable activities	4	**-**	**8,403**	**8,403**	388	13,186	13,574
Other trading activities	5	**62**	**-**	**62**	176	-	176
Investments	5	**2**	**10**	**12**	6	1	7
Other income	5	**34**	**-**	**34**	17	2	19
Total income		**1,955**	**8,413**	**10,368**	2,306	13,189	15,495
Expenditure on							
Raising funds	7	**644**	**-**	**644**	792	-	792
Charitable activities							
Social enterprise		**-**	**-**	**-**	504	260	764
Agriculture		**358**	**3,094**	**3,452**	437	4,005	4,442
Business		**503**	**4,341**	**4,844**	522	4,778	5,300
Environment		**373**	**3,218**	**3,591**	365	3,347	3,712
Total expenditure on charitable activities	8	**1,234**	**10,653**	**11,887**	1,828	12,390	14,218
Total expenditure		**1,878**	**10,653**	**12,531**	2,620	12,390	15,010
Increase / (Decrease) in reserves from disposal of subsidiary		**-**	**-**	**-**	1,643	(937)	706
Net income/(expenditure) for the year	6	**77**	**(2,240)**	**(2,163)**	1,329	(138)	1,191
Surplus attributable to the minority		**-**	**-**	**-**	(19)	(42)	(61)
(Surplus)/deficit attributable to the parent		**77**	**(2,240)**	**(2,163)**	1,348	(96)	1,252
Total funds brought forward		**1,365**	**6,365**	**7,730**	17	6,461	6,478
Total funds carried forward	17	**1,442**	**4,125**	**5,567**	1,365	6,365	7,730

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 34 to 49 form an integral part of these financial statements.

Consolidated and Charity Balance Sheets

As at 31 December 2020

	Note	**2020 Group £'000**	**2020 Charity £'000**	2019 Group £'000	2019 Charity £'000
Fixed assets					
Tangible assets	12	**85**	**85**	24	24
		85	**85**	24	24
Current assets					
Debtors	14	**1,173**	**1,352**	1,812	1,962
Cash at bank and in hand		**5,132**	**4,985**	6,684	6,449
		6,305	**6,337**	8,496	8,411
Creditors					
Amounts falling due within one year	15	**(678)**	**(676)**	(656)	(636)
Net current assets		**5,627**	**5,661**	7,840	7,775
Total assets less current liabilities		**5,712**	**5,746**	7,864	7,799
Provisions for liabilities and charges	16	**(145)**	**(145)**	(134)	(134)
Net assets		**5,567**	**5,601**	7,730	7,665
The funds of the Group and Charity					
Restricted funds	17	**4,125**	**4,125**	6,365	6,365
Unrestricted funds - general	17	**1,442**	**1,476**	1,365	1,300
Total funds	17	**5,567**	**5,601**	7,730	7,665

The deficit for the financial year dealt with in the financial statements of the parent company was £2,064,000.

Approved by the Board and authorised for issue on 24 June 2021 and signed on their behalf by:

John Reizenstein   Nick Allen

John Reizenstein
Chair

Nick Allen
Treasurer

Registered Company No.: 01926828

The notes on pages 34 to 49 form an integral part of these financial statements.

Consolidated Statement of Cashflows

For the year ended 31 December 2020

	Note	**2020 £'000**	2019 £'000
Cash flows from operating activities:			
Net cash used in operating activities	A	**(1,476)**	(520)
Cash flows from investing activities:			
Dividends, interest, and rent from investments		**12**	7
Disposal of tangible fixed assets and capital grants		**-**	5
Purchase of tangible fixed assets and capital grants		**(88)**	(14)
Net cash used in investing activities		**(76)**	(2)
Change in cash and cash equivalents in the reporting period		**(1,552)**	(522)
Cash and cash equivalents at the beginning of the reporting period		**6,684**	7,206
Cash and cash equivalents at the end of the reporting period		**5,132**	6,684

Notes to the Statement of Cash Flows

A. Reconciliation of cash flows from operating activities

	2020 £'000	2019 £'000
Net (expenditure)/income for the reporting period (as per the Statement of Financial Activities)	**(2,163)**	1,191
Adjustments for:		
Depreciation	**26**	11
Profit on the disposal of fixed assets	**-**	(5)
Decrease/(increase) in debtors	**639**	(428)
Increase/(decrease) in creditors falling due within one year	**23**	(995)
Increase/(decrease) in provisions	**11**	(68)
Decrease in stocks	**-**	336
Dividends, interest and rents from investments	**(12)**	(7)
Non-cash movement on disposal of subsidiary	**-**	(555)
Net cash used in operating activities	**(1,476)**	(520)

B. Analysis of cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand in the UK and overseas	**5,132**	6,684
	5,132	6,684

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 United Kingdom. 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 21.

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 because the results of the subsidiary companies are separately identified within the group accounts and the charitable company is exempt from presenting such a statement under s408 Companies Act 2006. The net deficit of the charitable company was £2,064,000 (2019: net surplus £799,000).

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 for a period of 12 months from the date of signing the accounts, 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 2021, reserves were still in line with the long term target.

The key risks in our financial model are a decline in income from unrestricted donations and legacies and a fall in programme expenditure leading to lower recovery of core costs.

Income from regular giving has remained steady over the past year and responses to appeals have exceeded expectations. However, events income continues to be impacted by Covid-19 restrictions and we remain cautious given the wider economic uncertainties still facing households across the country.

The pandemic may also continue to affect our ability to carry out programme activities on the ground in Africa. Although, as shown in the case studies detailed in our activities and performance, our programme teams have worked hard to find innovative adaptations to planned activities and in some cases we were able to reach more farmers than initially planned. Restrictions have also eased in several of the countries we work in. However, the potential for resurgences of the virus and intermittent disruptions continues.

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 continued impact however, as well as other external factors such as security issues and the upcoming elections in Ethiopia, means that programme expenditure and so the proportion of our core costs we can recover from restricted funds remains a risk.

In light of these factors, the trustees continue to review actual and forecasted results on a regular basis to assess the potential financial impact on Farm Africa and remain responsive to any increasing levels of risk. Together with the charity's management the trustees have considered what options are available to reduce core costs if necessary, to mitigate any impacts and maintain a viable financial position.

Scenario planning indicates that if programme spend continued to be impacted and was less than planned for 2021 and 2022, cost reductions identified could maintain unrestricted reserves at a minimum level of £1.3million through to June 2022.

We have also considered other scenarios in which programme spend in some months is significantly reduced due to events such as the Ethiopian elections or a further period of full Covid-19 restrictions in the first quarter of 2022. As well as adjusting for risk in our fundraising portfolio due to ongoing restrictions and economic conditions, and no significant investment in donor recruitment. In these scenarios reserves would decline at a faster rate, but with the implementation of the cost reductions identified, would not be reduced to a critical level for a period of at least 12 months from the date of signing these accounts.

The course and impact of the pandemic remains uncertain and the trustees are mindful that the financial outlook is subject to change. Therefore, they are reviewing the financial position closely on a regular basis, and updating expected future scenarios based on the actual results and any new information available. Trustees and management are actively pursuing further measures to increase fundraising income. Moreover, whilst the scenario planning does not indicate any immediate liquidity risks, if this changes then appropriate measures will be taken.

Our pipeline in 2021 of projects already secured or very likely to be secured is healthy, with contracts to the value of £18.4million signed at the time of writing this report, of which it is expected £10.1million will go towards our 2021 target of £11.5million. As well as benefiting from a generous legacy of £0.6million in 2021 from the Estate of Mr M Davies, which has enabled us to plan for the coming year with more certainty and modest investment where needed. We have also launched a new 5 year strategy from 2021 – 2025, supported by a steady financial plan, and with opportunities to benefit from our work and expertise in the mitigation of climate change, for which discussions with institutional and corporate donors are already 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 the pound 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 because 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 12.

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

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

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

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 14 to 16.

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	**Restricted funds**	**Total funds**	Total funds
	2020	**2020**	**2020**	2019
	£'000	**£'000**	**£'000**	£'000
General				
Committed giving	**453**	**-**	**453**	480
Appeals and donations	**660**	**-**	**660**	604
Legacies	**460**	**-**	**460**	96
Fundraising events	**41**	**-**	**41**	163
Corporate donations	**16**	**-**	**16**	37
Gifts in kind: donated services	**70**	**-**	**70**	267
Gifts in kind: donated assets	**61**	**-**	**61**	-
	1,761	**-**	**1,761**	1,647
Grants				
Trusts and Foundations	**37**	**-**	**37**	72
	37	**-**	**37**	72
Total donations and legacies	**1,798**	**-**	**1,798**	1,719

3. Government grants

The charity and group has received £59,000 (2019:£Nil) in government grant funding through the furlough scheme during the year. As this funding is only receivable where a corresponding salary cost exists, the furlough grant income has only been recognised to the extent that it was receivable in the year under the conditions of the scheme. The expenditure, which relates entirely to payments to staff furloughed during the year, is shown in the costs of raising funds in the Statement of financial activities.

4. Income from charitable activities

	Restricted funds 2020 £'000	Restricted funds 2019 £'000
Grants from government, institutional and other similar donors		
Agriconsulting Europe	**35**	43
Agricultural Markets Development Trust	**18**	479
Agriculture Business Initiative Trust	**131**	124
Ajahma Charitable Trust	**230**	-
Aldi	**94**	-
Alliance for a Green Revolution in Africa	**93**	-
Christian Aid	**-**	84
Comic Relief	**-**	152
Conservation International	**-**	129
European Union	**17**	2,724
Forest of the World	**65**	-
Pilot House Philanthropy (previously Highwater Global Fund)	**122**	191
Irish Embassy	**67**	-
Jersey Overseas Aid Commission	**120**	350
Mark Anthony Trust	**-**	25
Medicor Foundation	**-**	85
Msingi East Africa	**14**	122
Netherlands Embassy of Kenya	**27**	507
Norwegian Agency for Development Cooperation	**357**	126
Open Society Foundation	**-**	93
Packard Foundation	**75**	306
Royal Norwegian Embassy	**684**	455
Slovak Aid	**16**	185
SOS Sahel	**30**	288
Swedish International Development Co-operation Agency	**3,386**	1,764
Technical Centre for Agricultural and Rural Co-operation	**6**	199
The Deutsche Gesellschaft für Internationale Zusammenarbeit	**216**	191
UK aid from the FCDO (previously DFID) – Aid Direct	**1,082**	1,229
UK aid from the FCDO (previously DFID) – Aid Match	**235**	168
UK aid from the FCDO (previously DFID) – BRACED	**-**	730
USAID	**54**	-
Virunga Foundation	**75**	157
Vitol Foundation	**151**	79
Waitrose Foundation	**191**	963
World Food Programme	**707**	1,104
Other international agencies and other donors	**105**	134
Total grants from government, institutional and other similar donors	**8,403**	13,186
Other social enterprise trading income	**-**	388
Total income from charitable activities	**8,403**	13,574

5. Other income

	Unrestricted funds	**Restricted funds**	**Total funds**	Total funds
	2020	**2020**	**2020**	2019
	£'000	**£'000**	**£'000**	£'000
Other trading activities				
Trading	**62**	**-**	**62**	**176**
Total other trading activities	**62**	**-**	**62**	**176**
Investment income				
Deposit interest	**2**	**10**	**12**	**7**
Total investment income	**2**	**10**	**12**	**7**
Other income				
Sub-lease of office space and other miscellaneous income	**34**	**-**	**34**	**14**
Profit on sale of assets	**-**	**-**	**-**	**5**
Total other income	**34**	**-**	**34**	**19**
Total	**98**	**10**	**108**	**202**

6. Net income for the year

This is stated after charging:	**Total**	Total
	2020	2019
	£'000	£'000
Depreciation and amortisation	**26**	39
Payments under operating leases	**82**	80
Auditor's remuneration for the annual external audit:		
Charitable company	**27**	26
Subsidiary companies	**2**	3

7. Expenditure on raising funds

	2020	2019
	£'000	£'000
Donations and legacies		
Fundraising costs	**466**	**597**
Support costs allocated (note 10)	**38**	**62**
	504	**659**
Charitable activities		
Fundraising costs	**12**	**4**
Support costs allocated (note 10)	**1**	**-**
	13	**4**
Other trading activities		
Fundraising costs	**117**	**116**
Support costs allocated (note 10)	**10**	**13**
	127	**129**
Total	**644**	**792**

8. Expenditure on charitable activities

	Operational programmes	Grants payable	Support costs*	Total	Total
	2020	2020	2020	2020	2019
	£'000	£'000	£'000	£'000	£'000
		(note 9)	(note 10)		
Social enterprises	-	-	-	-	764
Agriculture	2,392	798	262	3,452	4,442
Business	3,474	1,002	368	4,844	5,300
Environment	1,611	1,708	272	3,591	3,712
Total	7,477	3,508	902	11,887	14,218

* 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.

9. Grants to partner organisations (note 8)

	2020 £'000	2019 £'000
Ethiopia projects		
Assosa Environmental Protection Association	**32**	21
Frankfurt Zoological Society	**358**	12
International Water Management Institute	**176**	60
LTS International	**-**	50
Melca – Ethiopia	**141**	61
Mercy Corps	**46**	653
Mothers and Children Multisectoral Development Organization	**43**	66
Natural Gum Production and Marketing Enterprise	**-**	18
Organization for Rehabilitation and Development in Amhara	**176**	293
Organization for Women in Self Employment	**-**	7
PHE Ethiopia Consortium	**434**	273
SOS Sahel	**662**	484
Sustainable Environment and Development Action	**270**	260
TechnoServe	**275**	238
Tokuma	**-**	1
Union of Ethiopian Women Charitable Association	**596**	587
Kenya projects		
BoP Innovation Centre	**-**	13
Centre for Development Innovation	**-**	10
Jewlet Enterprises	**18**	-
Pioneer Fish Farm	**1**	2
Stichting PUM	**-**	19
TIGOI Fish Farm	**1**	2
UNGA Farm Care Limited	**2**	3
Tanzania projects		
Friends in Development	**16**	39
Masupa Enterprises	**3**	6
Tanzania Horticultural Association	**37**	2
Uganda projects		
Africa Innovations Institute	**105**	71
Kahawatu	**14**	-
North Eastern Chilli Producers Association	**100**	37
Twin	**2**	9
	3,508	3,297

Grants were payable during the year to partners working on restricted projects. At year end there were ten payments totalling £278,000 outstanding to Agrics, SOS Sahel, Frankfurt Zoological Society, Mercy Corps, Organization for Rehabilitation and Development in Amhara, International Water Management Institute, Kahawatu and TechnoServe (2019: there were six payments totalling £118,000 outstanding to partners).

10. Analysis of support costs

	Management. costs	Office costs	Finance & IT costs	HR costs	Governance costs	Total	Total
	2020	2020	2020	2020	2020	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charitable activities (note 8)							
Agriculture	**29**	**79**	**117**	**28**	**9**	**262**	423
Business	**41**	**111**	**164**	**40**	**12**	**368**	504
Environment	**31**	**81**	**121**	**30**	**9**	**272**	351
	101	**271**	**402**	**98**	**30**	**902**	1,278
Expenditure on raising funds (note 7)							
Donations and legacies	**4**	**12**	**17**	**4**	**1**	**38**	62
Charitable activities	**-**	**-**	**1**	**-**	**-**	**1**	-
Other trading activities	**1**	**3**	**4**	**1**	**1**	**10**	13
	5	**15**	**22**	**5**	**2**	**49**	75
	106	**286**	**424**	**103**	**32**	**951**	1,353

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.

11. Employees

	2020	2019
	£'000	£'000
Staff costs		
Wages and salaries (including life assurance)		
Overseas contracted staff	**3,565**	4,109
UK contracted staff	**1,436**	1,416
	5,001	5,525
Social security costs	**125**	147
Pension costs	**88**	100
	5,214	5,772

Wages and salaries includes £7,000 (2019: £64,000) 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, the Head of Human Resources and Country Directors. The total employee benefits paid to these individuals (including employer's pension and national insurance) was £744,000 (2019: £762,000).

	2020	2019
	No.	No.
Employees with remuneration in the range of £60,001 to £70,000	**2**	2
Employees with remuneration in the range of £70,001 to £80,000	**2**	4
Employees with remuneration in the range of £80,001 to £90,000	**2**	1
Employees with remuneration in the range of £90,001 to £100,000	**-**	1

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

	2020	2019
	No.	No.
Overseas contracted staff		
Farm Africa	**196**	211
Sidai Kenya	**-**	22
UK contracted staff		
Fundraising and communications	**13**	12
Programmes support	**6**	7
Management and administration of charity	**8**	10
	223	262

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

No trustees were reimbursed for travel expenses (two trustees in 2019: £1,000) incurred on behalf of the organisation. In addition, £1,500 travel costs were paid directly to suppliers in respect of one non-UK based trustee travelling to board meetings in the UK (two trustees in 2019: £15,000). The cost incurred by the charity for the trustee indemnity insurance was £3,000 in 2020 (2019: £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 2020 was £11,000 (2019: £3,000).

12. Tangible fixed assets

Group and Charity

	Leasehold improvements	Vehicles	Machinery & equipment	Computer equipment	**Total**
	£'000	£'000	£'000	£'000	**£'000**
Cost					
At 1 January 2020	82	7	33	89	**211**
Additions	-	61	-	27	**88**
Disposals	-	-	-	(1)	**(1)**
At 31 December 2020	82	68	33	115	**298**
Depreciation					
At 1 January 2020	(82)	(4)	(31)	(70)	**(187)**
Charge for the year	-	(15)	-	(11)	**(26)**
Disposals	-	-	-	-	**-**
At 31 December 2020	(82)	(19)	(31)	(81)	**(213)**
Net book value					
At 31 December 2020	-	49	2	34	**85**
At 31 December 2019	-	3	2	19	**24**

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 £417,000 (2019: £644,000). The accounting policy relating to fixed assets is referred to in note 1(i).

13. Investments

The table below shows the Charity's interests in subsidiaries and investments at 31 December 2020:

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 2020 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**	
	2020	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Total incoming resources	**-**	388	**-**	-	**64**	179
Total resources expended[3]	**-**	(747)	**-**	(17)	**(164)**	(117)
Retained surplus / (deficit) for the year	**-**	(359)	**-**	(17)	**(100)**	62
Total assets	**-**	-	**-**	-	**173**	257
Total liabilities	**-**	-	**-**	-	**(206)**	(190)
	-	-	**-**	-	**(33)**	67

[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 Christabel Peacock, the former 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 holds this as an investment.

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

[3] For Farm Africa Trading Limited, total resources expended includes gift aid donation to Farm Africa.

14. Debtors

	2020 Group £'000	**2020 Charity £'000**	2019 Group £'000	2019 Charity £'000
Amounts owed by subsidiary undertakings	**-**	**204**	-	171
Trade debtors	**61**	**54**	141	132
Other debtors	**55**	**55**	47	47
Prepayments	**108**	**108**	143	143
Accrued income – other	**53**	**35**	33	21
Accrued income – project grants	**896**	**896**	1,448	1,448
	1,173	**1,352**	1,812	1,962

15. Creditors: Amounts falling due within one year

	2020 Group £'000	**2020 Charity £'000**	2019 Group £'000	2019 Charity £'000
Trade creditors	**96**	**96**	80	62
Deferred income	**20**	**20**	40	40
Other creditors and accruals	**284**	**282**	418	416
Grant obligations	**278**	**278**	118	118
	678	**676**	656	636

Charity and Group

	2020 £'000	2019 £'000
At 1 January	**118**	575
Grants paid to partners in settlement of obligations at year-end	**(118)**	(575)
New grant obligations	**278**	118
As at 31 December	**278**	118

16. Provisions for liabilities and charges

Group and Charity

	Severance	Potential non-recoverable advance	Dilapidations	Potential non-recoverable project costs	**Total 2020**	Total 2019
	£'000	£'000	£'000	£'000	**£'000**	£'000
At 1 January	93	26	15	-	**134**	203
Amounts charged to the Statement of Financial Activities	24	-	-	33	**57**	78
Amounts used during the year	(20)	(26)	-	-	**(46)**	(147)
As at 31 December	97	-	15	33	**145**	134

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-recoverable costs on a project in Tanzania where it is likely to be necessary to incur costs in excess of the grant amount in order to complete the project and trigger the final grant disbursement.

17. Movements in funds

	At 1 January 2020	Income	Expenditure	**At 31 December 2020**
	£'000	£'000	£'000	**£'000**
Ethiopian programmes	5,591	5,486	(7,005)	**4,072**
Kenyan programmes	750	698	(1,399)	**49**
Tanzanian programmes	71	795	(849)	**17**
Ugandan programmes	(183)	1,137	(1,062)	**(108)**
UK programmes	25	297	(338)	**(16)**
Forestry programme	59	-	-	**59**
Other miscellaneous restricted funds	52	-	-	**52**
Movement on restricted funds	6,365	8,413	(10,653)	**4,125**
General funds	1,365	1.955	(1,878)	**1,442**
Movement on unrestricted funds	1,365	1,955	(1,878)	**1,442**
Total movement on reserves	7,730	10,368	(12,531)	**5,567**

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 movements in funds in 2019 are presented below.

	At 1 January 2019	Income	Expenditure	Minority interest	Disposal of subsidiary	**At 31 December 2019**
	£'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**

18. Net assets analysis (Group)

	Unrestricted funds	Restricted funds	Total funds
	£'000	£'000	£'000
Fund balances at 31 December 2020 are represented by:			
Tangible and intangible fixed assets	85	-	85
Net current assets	1,357	4,125	5,482
Total	1,442	4,125	5,567
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

19. 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.

20. Commitments: Operating leases

At 31 December 2020 Farm Africa has the following commitments under non-cancellable operating leases:

	Equipment	Property	**Total 2020**	Total 2019
	£'000	£'000	**£'000**	£'000
In less than one year	15	108	**123**	182
Between one and five years	32	-	**32**	189
	47	108	**155**	371

21. Related party transactions

There were no related party transactions requiring disclosure other than transactions with subsidiaries (2019: none).

Farm Africa Limited charged a management fee of £22,000 (2019: £22,000) to Farm Africa Trading Limited. Farm Africa Trading made a donation of £45,000 (2019: £Nil) to Farm Africa in 2020. At 31 December 2020, Farm Africa Trading owed £204,000 (2019: £171,000) to Farm Africa Limited.

22. Parent company result

The parent company generated a deficit of £2,064,000 (2019: surplus £799,000).

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.

23. Pension costs

As at 31 December 2020, 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 8% of employee salary during the accounting period.

The pension cost included in the Statement of Financial Activities for UK employees was £88,000 (2019: £93,000).

24. Legacies

The estimated value of legacies notified but neither received, nor for which we had received confirmation from the executors that a payment could be made as at the year end, and so not included in income is £665,000 (2019: £10,000).

25. Capital commitments

There were no capital commitments outstanding as at 31 December 2020 (2019: none).