



**FARM AFRICA**

**2021 Annual Report  
and  
Financial Statements**

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# Part 1

# Trustees' Report

## Report of the Chair

Farm Africa supports rural communities across eastern Africa to build their resilience by:

- increasing agricultural productivity
- improving smallholder farmers' access to markets
- sustainably managing the environment

This Annual Report/Review focuses on five of our projects doing just that in Ethiopia, Kenya, Tanzania, Uganda and DR Congo. It is work that is more urgent than ever. The communities we serve faced many challenges in 2021. The COVID-19 pandemic has continued to disrupt access to agricultural inputs, training and markets, increasing poverty and hunger for farming families. Conflict in northern Ethiopia and severe drought have exacerbated these challenges.

With your support we have reached more than one million people across eastern Africa, helping them to tackle these challenges head on and make a decent living from agriculture, while sustainably managing the natural resources around them.

As I write this in May 2022, the challenges for rural communities continue to escalate as the conflict in Ukraine has caused a shortage of agricultural inputs such as fertilisers.

Countries in eastern Africa are particularly dependent on the import of food security foods: Kenya sources more than 40% of its wheat from the Russian Federation and Ukraine, while in Uganda the figure is more than 50% and in Tanzania it is over 60%.

These statistics highlight how urgent it is to invest in boosting sustainable food production in eastern Africa in order to safeguard the region's food security. With your continued support we can continue to work to unlock the potential of small-scale farmers in eastern Africa. Some of our income streams, such as fundraising events, were affected by the challenging environment in 2021. Overall, our income increased to £12.4 million in 2021 compared to £10.4 million in 2020. However, in spite of this good performance on income, the conflict in Ethiopia, and the continuing constraints on fundraising as a result of the pandemic put pressure on our finances. Farm Africa's reserves helped to even this out, and we are now focused on returning our reserves to pre-COVID levels.

We are grateful to the many individuals, companies, institutions and foundations who supported Farm Africa in 2021. I would particularly like to thank Judith Batchelar for her exceptional contribution to the organisation over her 8 years as a trustee. I am delighted that Judith has agreed to become one of Farm Africa's Ambassadors in which role we will continue to benefit from her support. I would also like to welcome Julian Marks and Vicky Unwin as new trustees joining Farm Africa in the first months of 2022. On behalf of the trustees, I also extend my thanks to the staff who work so hard on behalf of rural families across eastern Africa.



**John Reizenstein**

Chair

30 June 2022

## Report of the Chief Executive

“In our area, no one cuts down a single tree without getting permission.” These are the words of Abdurahman Kule, chair of a forest management cooperative supported by Farm Africa in the Bale Eco-region of Ethiopia. These words are cause for celebration. A 58% reduction in deforestation in Bale brings environmental benefits of worldwide significance by conserving the unique flora and fauna found in the forest, as well as reducing carbon emissions.

The conservation of the forest has been made possible by Farm Africa’s work with partners and local government to develop financial incentives for local communities to stop felling trees. Previously, local people used to fell trees to make way for agriculture, as Abdurahman explains:

“The normal practice in our community used to be clearing the forests to grow maize and plant coffee seedlings. We used to believe we needed to expand our agriculture to earn more.”

With support from Farm Africa, Abdurahman stopped cutting down trees. Today he makes a living by exporting wild forest coffee to the international speciality coffee market. On average, household incomes of people taking part in this project have more than doubled over the last five years. On top of this, the cooperatives receive money from the sale of carbon credits earned by reducing deforestation.

Abdurahman’s story is one of hundreds of thousands of how we helped farmers to build nature-positive livelihoods in 2021.

In November, we showcased lessons from our work at the COP26 climate change conference in Glasgow. We highlighted how projects such as the one Abdurahman took part in (featured on page 7), and our regenerative agriculture project in Embu, Kenya (featured on page 8) are delivering real results in both enabling rural communities to adapt to climate change and reduce carbon emissions.

Our work is only possible due to the generosity of our supporters. In 2021 we celebrated the 10th anniversary of the Food for Good network in the UK, which has raised more than £2 million for Farm Africa to date. I extend my thanks to all the food and farming companies involved, as well as to everyone else who has supported our work in 2021. I hope you enjoy reading more about the impact of this vital support.



**Dan Collison**

CEO

30 June 2022

# Strategic Report

This section presents Farm Africa's mission, values and strategic goals, including the priorities outlined in the new strategic plan (2021-2025). The section summarises Farm Africa's achievements in 2021, and outlines our goals for 2022.

## 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 into a 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.

### 2021 – 2025 strategy

In the second quarter of 2021 we concluded 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, market engagement, 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 strategy is underpinned by five cross-cutting themes:

- **Climate action:** We will work to reduce greenhouse gas emissions and strengthen the resilience and adaptive capacity of communities to climate change.
- **Gender equality:** We will design projects to be gender-sensitive and include meaningful outcomes for women's economic empowerment.
- **Youth employment:** We will emphasise the creation of job opportunities for young people throughout the value chain.
- **Resilience:** We will enhance communities', enterprises' and ecosystems' ability to mitigate and adapt to shocks.
- **Agri-tech:** We will embrace the use of technology at all stages of the value chain.

The concept of food systems – describing the connections between producers, consumers, the environment and policy – provides a useful way of integrating the approaches and is the lens through which our approaches, interventions and programmes are analysed. 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.

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 2021, 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.

#### RURAL WOMEN CHAMPION FOREST CONSERVATION

**Deforestation and greenhouse gas emissions in Ethiopia's Bale Eco-region are down. Household incomes are up. And the community has taken significant strides towards advancing gender equality, with support from our REDD+ forest conservation programme.**

Since 2012, Farm Africa has been working in partnership with the NGO SOS Sahel Ethiopia, with funding from the Royal Norwegian Embassy in Ethiopia, to deliver a project that lowers greenhouse gas emissions by reducing deforestation in the Bale Eco-region, while also boosting the livelihoods of local communities living in poverty.

The project has helped more than 34,000 members of 64 forest cooperatives increase their incomes from the sale of

forest-friendly products as well as carbon credits sold on the voluntary carbon market, both of which created an economic incentive to preserve the natural forest and biodiversity.

The project achieved impressive results, both for people and the planet.

Over the period 2012-2020, deforestation in the Bale Eco-region was 58% lower than it was projected to be in the absence of the project. This avoided deforestation resulted in more than 25,000 hectares of forest being saved and emissions being reduced by 10.5 million tonnes of carbon dioxide.<sup>1</sup> Meanwhile, the average annual household incomes of forest-dependent communities in the eco-region rose by 143% from an average 17,000 Ethiopian Birr per household per year at the start of the second phase project in 2016 to 43,000 Birr in 2021.

The Bale Eco-region hosts the largest Afro-alpine ecosystem in Africa and is one of the two major biodiversity rich rainforest blocks in Ethiopia. By conserving forests, the project contributed significantly to the conservation of flora and habitats of wild animals not found anywhere else in the world.

#### Fuel-efficient stoves

In Bale, responsibility for feeding the family falls on women and girls. Most meals are cooked on open fires. Food preparation and firewood collection dominate women's time. To reduce pressure on both women and the forest, Farm Africa and partners distributed a total of 5,961 fuel-efficient stoves. Unlike traditional fires, the fuel-efficient stoves have capacity for two pots at a time, enabling two dishes to be prepared simultaneously. On average, households' annual consumption of fuelwood fell from 12.84m<sup>3</sup> to 9.25m<sup>3</sup> over the last four years, enabling the project to reduce forest degradation by saving a total volume of 34,500m<sup>3</sup> of fuel wood that would otherwise have been collected from the natural forest. The stoves have also brought improvements to women and children by reducing the smoke they inhale. The time saved from firewood collection and cooking is time that women are now able to invest in other activities, including income-generating work.

#### Forest-friendly businesses

Both men and women were offered opportunities to develop income streams from forest-friendly businesses selling products such as coffee, honey and bamboo. The work to support forest coffee production was particularly successful, with cooperatives achieving an increase in the grade of their coffee from grade 6 to specialty coffee (grade 1 or 2) as measured by the Coffee Exchange standards. This enabled the sale of more than 67 metric tonnes to the international specialty coffee market in the season running from October 2020 to July 2021, at average prices of between US \$4.34 to US \$5.45 per kg.

<sup>1</sup> The reduction was verified by an external evaluator following the Verified Carbon Standard and Climate, Community & Biodiversity Standards (VCS/CCB).

The by-laws of the community-based cooperatives producing and marketing non-timber forest products were changed to stipulate either the Chair or Deputy Chair had to be female, leading to 61 of the 64 organisations having a woman in one of the two highest positions in 2021, up from 10 in 2016. This in turn encouraged more women to join the cooperatives.

**Carbon credits**

The project is the first of its kind in Ethiopia to secure income from REDD+ carbon credits. Income from carbon credit sales, which is additional to the average increases in household incomes mentioned above, is enabling forest management cooperatives to invest in community development initiatives. Female representation in leadership positions has helped ensure the cooperatives’ investment plans will deliver tangible benefits to women, such as a new local flour mill, which will relieve women of the need to undertake arduous, unsafe journeys on horseback to the nearest grain milling facilities.

The project’s success has paved the way for more REDD+ initiatives in Ethiopia. The communities supported by Farm Africa and SOS Sahel Ethiopia in Bale are now taking part in the jurisdictional Oromia Forested Land Programme (OFLP) REDD+ scheme, which seeks to reduce deforestation across the whole of the Oromia Regional State. It’s a great example of how Farm Africa’s work can influence government policy to replicate our programmes and produce results at scale.

**Female forest guardians**



Female leadership has been vital in efforts to monitor breaches to rules outlawing the cutting down of trees. As well as reducing the amount of firewood they use, the 25 members of the all-female Biftu Beri Women’s Village Savings and Loan Association (VSLA) Kumbi kebele, set up in 2015 with the support of Farm Africa, patrol the Harena forest at the same time as searching for dead branches to use for firewood.



**“With the traditional open smoky stove, I had to use more than 200kg of firewood to bake 800 injera. Now, with the fuel-saving one, I only need 100kg firewood for the same amount.”**

**Etagegegnehu Mulushewa makes a living by selling the Ethiopian staple food, home-baked injera.**

**What is REDD+?**

REDD stands for “reducing emissions from deforestation and forest degradation”. The plus sign refers to the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

**RESTORING SOIL HEALTH IN KENYA**

**Farm Africa supported smallholder farmers in semi-arid areas of Embu county, Kenya to strengthen food security through regenerative agriculture.**

The majority of the population in Embu County, Kenya, earn a living through crop production and livestock keeping. However, livelihoods from farming are far from secure. Agricultural production and food security are increasingly under threat in Kenya’s highlands, burdened by risks such as climate change as well as soil degradation caused by overgrazing, over-cropping and poor farming practices.

Regenerative agriculture involves farming practices that rejuvenate soil fertility and reduce carbon emissions. Funded by the IKEA Foundation through the Alliance for a Green Revolution in Africa (AGRA), Farm Africa worked with 10,239 farmers (including 6,760 women) in Embu to adopt regenerative agricultural technologies and practices to grow maize and pulses. Running from July 2020 to October 2021, the project aimed to increase food security as well as the resilience of local farmers to climate change through the promotion of regenerative agriculture practices.

The project directly reached 50 farmer groups who are now more resilient to climate change, have assured food security and improved incomes.



### Bridging agricultural extension services

In Kenya, agricultural expertise is shared with farmers via a network of extension workers. Unfortunately, this system is overstretched, with the ratio of extension workers to farmers being 1:200. To help overcome this shortfall, Farm Africa utilised the Village Based Advisors (VBA) model. Regenerative agriculture was taught at the community level by 137 VBAs: a network of private sector local farmers who supply information services and high-quality agricultural inputs such as certified seeds to other farmers. Of these 137 VBAs, 89 were female.

A technical curriculum in good agricultural practices for regenerative agriculture was developed, promoting an inter-cropping system of maize and high yielding, nitrogen fixing bush beans alongside agroforestry crops to improve soil fertility and provide staking material for the bush beans. Training was delivered to the VBAs and to 45 government agricultural officers.

### Improving business

As well as providing advice on agronomy, the VBAs played a critical role in enabling farmers to boost their incomes by developing links to markets where they could sell their produce. A total of 20 aggregation centres were established to enable farmers to sell their produce together in bulk. Farm Africa offered training to 10 aggregators, developing marketing strategies and production plans that provide direction on markets and prices, as well as available quantities of produce. This was to ensure the sustainability of the aggregation centres. The VBAs helped connect farmers' groups to financial services providers to gain access to credit to invest in their businesses.

VBAs were also contracted directly by traders to recruit farmers, which helped to increase the acceptance of the VBA model in the farming community. By developing links to markets and advising on which crops to grow, for example soya beans, the VBAs helped farmers grow crops that were high in demand.

Through the VBAs, Farm Africa introduced digital platforms to help with both farming and marketing. These included AGRI-BOT (an online digital extension platform managed by Microsoft through AGRA) and AGRIVIEW, a digital marketing platform.

**“Thanks to the Regenerative Agriculture project, I now have access to agricultural, market and weather information,” says Perpetuah Munyi, a Village Based Advisor (VBA) in Kithegi village, Embu County.**

### Improved regenerative agriculture practices

A score card survey evaluating the uptake rate of regenerative practices found that 97% of 412 farmers surveyed are now applying organic manure to their farms. Prior to the project's start, only 59% were using manure on their maize and pulse crops. Of that 97%, the majority highlighted an increased crop yield as a major benefit of using manure.

The majority of farmers (77%) have practised mulching since the project's inception, a 44% growth compared to before the

project. The benefits of mulching include higher water retention by soils and a reduced need for weeding. The number of farmers practising minimum tillage almost doubled, from 46% to 84%. As a result, farmers saw an improvement in soil fertility and texture and a reduction in instances of soil erosion.

In addition to farmers' productivity increasing, analysis of soil samples revealed that soil health had improved, with higher pH levels recorded, as well as improved levels of nutrients such as zinc and phosphorous on some farms.

Farm Africa and AGRA are now planning a new project to scale up the uptake of regenerative agriculture in Embu as well as in a second county, Tharaka-Nithi, between 2022 and 2025.



**“My production has improved since I started using regenerative agriculture. I used to harvest five bags on five acres of land but last season I harvested 20 bags,” Jackline Atieno (right).**

### EMPOWERING FEMALE SUNFLOWER FARMERS

**Farm Africa is working in northern and central Tanzania to support women's participation in the sunflower value chain, increasing female farmers' productivity and linking them to lucrative markets.**

Tanzania is seeing a growing demand for sunflower oil and the government is committed to boosting the edible oils sector and reducing imports, meaning there are exciting prospects for sunflower growers. But not everybody can reap these opportunities. Poor production practices, lack of access to quality agricultural inputs like seeds and fertilisers, and lack of access to markets and cooperatives hold many farmers back - particularly women. These barriers stop female farmers from enjoying the full benefits of their labour, and stop many women from participating in the sunflower sector altogether.

Agricultural Marketing Cooperative Societies (AMCOS) are a way for farmers to collectively organise. AMCOS allow farmers to pool resources and collectively market their yields to buyers. However, women only represent 17% of members in AMCOS. Many female farmers practise subsistence

farming and are unaware of or are excluded from the potential of collective marketing.

Our Flourishing Futures project, which started in 2017 with the support of The Agricultural Markets Development Trust (AMDT), supported more than 15,500 farmers (45% of whom are female) to establish or develop sunflower businesses. The project engaged relevant market actors (eg input suppliers, agro-dealers and processors) and service providers (eg financial institutions, government and private extension services providers and mechanisation and technology companies) to promote drought-tolerant varieties of seeds, invest in purchasing and offering bundled services, and deliver training in good agricultural practices, climate-smart agriculture, organisation management and market-oriented production and sales.

In January 2021, Farm Africa started a new sunflower project in Tanzania, building on the lessons learnt from Flourishing Futures. Funded by UN Women, the project works to counter gender inequalities by increasing women's participation in the sunflower value chain, increasing their productivity and linking them to markets to maximise profits.

#### Good agricultural practices

A key objective of the project is to increase female farmers' yields through the application of good agricultural practices such as timely and appropriate land preparation; adequate spacing between and within rows of plants, and good weeding techniques.

A total of 303 smallholder farmers (217 being female) have been trained in good agricultural practices and climate-smart agriculture. As a result, 76% of smallholder farmers adopted most of the good practices and have seen their sunflower yields increase. Of the 303 farmers supported, 61% have increased their sunflower productivity so far. The average productivity (kg/acre) of yields increased from 240 kg/acre to 524 kg/acre. The female farmers recorded a higher level of productivity than the men, with a productivity level of 536 kg/acre compared to 467 kg/acre. A total of 123,664 kg of sunflowers was harvested by the farmers involved in the project over the course of 2021.

#### Economic empowerment

Following Farm Africa's interventions, smallholder farmers have seen a 97% increase in income from sunflower products compared to before the project's inception.

Poor storage and aggregation used to hinder farmers' access to markets and ability to meet quality requirement specifications. To counter these issues, as well as reduce food loss, a new warehouse was constructed in Mhang'ana Village in the Singida Region. Following its opening in April 2022, the warehouse is now being used to store crops for collective marketing, as well as offering a space for sunflower farmers to meet with buyers and attend training sessions to continually improve their farming and business practices.

Farm Africa supports the farmers to develop market-oriented business plans that will attract market actors like processors, off-takers, financial institutions, input suppliers and other

relevant service providers to engage in business with smallholder farmers. We also help farmers develop business skills such as record keeping, financial management, contract development, negotiations, aggregation and marketing.

#### Adaptation to climate change

Climate change threatens farmers' livelihoods as well as local food security in Tanzania. More frequent occurrences of droughts and flooding are making it difficult for smallholder farmers to plan for the future. By promoting conservation agriculture and climate-smart agricultural techniques, we help farmers to improve the quality and quantity of their yields despite Tanzania's extreme climatic conditions. Farm Africa helps the communities gain access to improved seeds, which are drought tolerant, offering a reliable yield and a stable source of income even in harsh climatic conditions.



#### SPICING UP UGANDA'S CHILLI SECTOR

**Farm Africa and the North East Chilli Producers Association (NECPA) helped 3,000 smallholder farmers in Lira in northern Uganda successfully grow and sell African bird's eye dried chillies.**

Farm Africa and NECPA worked together from 2018 to 2021 to create a more competitive and profitable chilli value chain in Aromo, Barr and Amach sub-counties in Lira. The project helped 120 groups of smallholder farmers, each with 25 members, to increase their household incomes.

#### Growing quality chillies

Farm Africa supported NECPA to deliver training in organic farming systems, good agricultural practices and post-harvest handling to enable the farmers to produce export-quality chillies. The organisations strengthened farmers' access to high-quality agricultural inputs such as improved seeds, organic pesticides and solar dryers, which offer a cost-effective and sustainable means of preserving chillies. A warehouse was built to safely store the dried chillies.

The amount of land the 3,000 farmers dedicated to chilli production increased from 241 to 2,500 acres over the course of the project. A 50% increase in the volume of

chillies sold, coupled with higher prices made possible by selling high quality organic produce to premium markets, enabled NECPA's profit to increase by 177% by the end of the project, while farmers' incomes increased by 208%. Farmers were able to build their asset bases, for example by buying cows or more land. The establishment of village savings and loan associations offered farmers the opportunity to save together and take loans to invest in small businesses.

### Job creation

Sustainable jobs were created providing services to chilli farmers. Fifty-one community members, including 20 women, were trained to produce quality chilli seeds, ensuring 98% of the farmers had easy access to improved seed. A further 23 people were trained to produce organic pesticides, of whom 13 people set up businesses selling pesticides. Twenty-one people were trained as field agents, who buy dried chillies from farmers and sell seeds to them. Thirty young people, including three women, were given training in the production and sale of solar dryers. In response to feedback from farmers, the design of the solar dryers was adapted over the course of the project to make them more portable and affordable through the use of local construction materials. Other jobs created included mill operators and chilli sorters.

### Export markets

Farm Africa helped the farmers to gain certification for their chillies, to assure traders the chillies met stringent quality standards. By engaging with the National Ministry of Agriculture, the project supported NECPA to acquire an export licence, and gain access to a global online trading system so they could secure sales from lucrative export markets. In December 2021, Lira chilli farmers celebrated their first major export, after selling five metric tonnes of dried chillies in bulk to buyers in Germany.

### Gender equality

The project worked hard to engage both men and women: 58% of farmers reached were female. Women's participation in decision making around household expenditure and income management has improved. Community feedback has shown that the involvement of men, women and young people in chilli production has helped to increase chilli volumes.

### The future

Part of the project's success is attributed to its engagement with local government structures to support activity delivery and ensure sustainable interventions. The project developed a strong working relationship with district and sub county local government structures, including the national line ministry.

The future is looking bright for Lira's chilli sector. After working with Farm Africa to develop an investment plan that allowed them to secure finance from banks, NECPA is now in a strong position to further develop the chilli export business without more support. The project's success has

inspired farmers in neighbouring sub-regions to engage in chilli production with seeds bought from NECPA.

The chilli sector could benefit further from investment in irrigation and water conservation, which could help farmers produce a year-round supply of chillies for the export market, as well as sustain their plants for longer. Despite chilli plants being semi-perennial, droughts in the region have made it difficult for farmers to harvest from their chilli plants for more than one year.

**"I have learnt how to manage the chilli properly. I have learnt about recommended spacing and how to use local available resources to make organic pesticides from chilli itself to prevent pests and diseases."** Tom Ogwal, a farmer from Lira, Uganda.



*Farm Africa's chilli project was funded by aBi Development Ltd and Ajahma Charitable Trust. Photo: Farm Africa / Jjumba Martin*

## COFFEE PRODUCTION ALONGSIDE VIRUNGA NATIONAL PARK

**Farm Africa is working in North Kivu in DR Congo to boost coffee production and link growers to international markets.**

Farmers in eastern DR Congo work in extremely difficult circumstances. Continuing armed conflict makes the area highly insecure. Climate change and human activity in Virunga National Park threaten the ecosystem on which many communities depend. COVID-19 exacerbated pre-existing problems, making it even more challenging for farmers to grow and export coffee.

Despite these challenges, farmers in North Kivu are now producing some of eastern Africa's finest Arabica coffee. In partnership with Virunga National Park and with funding from the European Union, Farm Africa is supporting coffee growers living on the borders of the Park to increase the quality and quantity of their coffee, obtain certifications and access international markets.

Farm Africa partnered with two cooperatives, Coopade and Kawa Kanzururu. Combined, these two cooperatives have

6,366 members and process their coffee in 40 micro washing stations across North Kivu. The washing stations provide high quality processing of the coffee cherries close to the cooperative members' farms and are key in ensuring the overall quality of the final coffee beans. This infrastructure has improved and extended over the course of the project.

**Producing quality coffee and obtaining sustainability certifications**

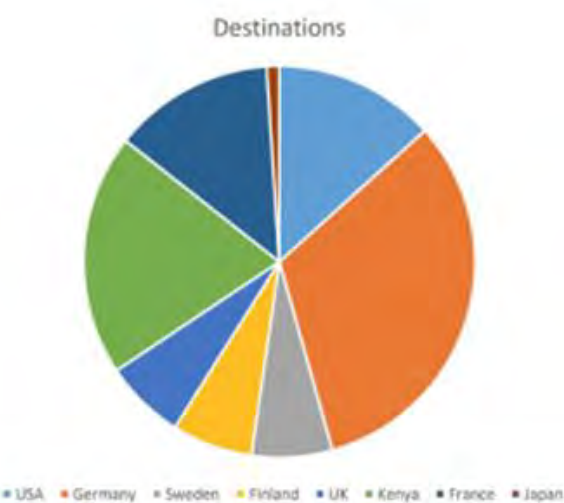
Farm Africa works with the cooperatives to refine each step of the coffee production process, increasing both the quality and quantity of the coffee produced. We train the farmers in good agricultural practices, harvesting and processing techniques. Two coffee quality labs were built with support from an ÉLAN project and coffee cuppers were trained. This is enabling farmers for the first time to understand and evaluate their own coffees, and to better understand buyers' requirements.

Over the course of the project, 68,500 coffee seedlings have been distributed to farmers at Coopade and Kawa Kanzururu cooperatives, accompanied by training in planting and nurturing. A visual manual on good agricultural practices has been developed, specifically geared to the growing conditions and farming calendar of North Kivu.

This year Farm Africa supported the two cooperatives to become FLO Fairtrade certified to add to their organic certification. As well as attracting certification premiums, these certifications are very important for market access.

**Access to finance and links to markets**

Farm Africa is supporting the cooperatives with business planning, financial reviews and gaining access to working capital. Two international ethical lenders and a local bank are now providing crop finance.



We trained the co-operatives in contract negotiation and worked with them to promote their coffees in international

markets, where coffee from DR Congo is still relatively unknown. As a result of Farm Africa's work to identify buyers and support the building of commercial partnerships, the cooperatives are now selling their coffee for premium prices in countries including Japan, Germany, France, Belgium, the USA and the UK. With Farm Africa's support, 404.4 tonnes of coffee were exported in the 2020-2021 season, valued at \$1.35 million. After making losses in 2018-2019, each cooperative has operated profitably in each subsequent year, paying back their harvest finance borrowings in full.

**Incentivising sustainability**

Lack of market channels and technical assistance over many years meant that farmers neglected coffee as a potential source of income. Unsupported, low-income farmers were often left with few options to earn a livelihood. This led to pressure to encroach on Virunga National Park, for instance by cutting down trees for charcoal production. Such activities damage the biodiversity of the precious landscape, including the habitat of endangered mountain gorillas. The project addressed these problems by introducing sustainable farming practices and renewing the coffee trees, thereby incentivising a sustainable method of farming.

**Supporting women**

Women play key roles in the success of the two coffee cooperatives. Women's associations run several of the cooperatives' coffee washing stations. For the first time, it is now possible to buy coffees grown and processed by female coffee farmers in North Kivu.

**"Coffees we've tasted from the Virunga National Park project in North Kivu have impressed us greatly, to say the least. Not only do they have the potential to stand with the best Arabicas produced in the DRC, but also some of the best produced in East Africa."** Kyle Tush, Counter Culture Coffee.



Photo: Magnum Photos / Carl de Keyzer for the Virunga Foundatio

## Performance against objectives

To aid our planning we have broken down the strategic objectives in to a set of annual goals. These goals are more specific and time-bound than the strategic objectives. The table below sets out how we performed against our key goals for 2021.

Strategic Objective	Annual goal	Outcome
Ensure that Farm Africa has a clear strategic direction for 2021 – 2025	Sign off the 2021-2025 Farm Africa Strategic plan.	Our new strategic plan was signed off by the Board of Trustees in May. Building on Farm Africa’s long established thematic focus areas of agriculture, markets and natural resource management, the plan has geared our programmes more deliberately to respond to climate challenges and climate resilience, and also to the wider considerations of food systems. It commits Farm Africa to scale up our work in Integrated Landscape Management, plans for an expansion of our work in DRC, and gives more focus to our advocacy and policy influencing efforts. The strategy also guides the development of our organisational culture, and sets the financial ambition for the organisation through to 2025. It recognises the challenges of a changing donor and fundraising environment, but also the potential of new sources of climate funding.
Achieve growth through diversity in funding	<p>Raise £11.4 million of grant funding for 2021.</p> <p>Raise £12 million of grant funding for 2022.</p> <p>Raise £1.7 million of unrestricted funding in 2021.</p> <p>Refresh Fundraising Strategy.</p>	<p>Grant income for 2021 was £10million. Farm Africa’s institutional grant income continued to be supported by a number of long standing and committed donors. These included the Norwegian and Swedish governments, the European Union, and World Food Programme. In common with many other NGOs, we received news from the UK government (FCDO) in May that one of our largest programmes, Livestock for Livelihoods, would be closed down within three months. This was as a result of cuts to the UK Aid budget, and resulted in £800,000 of income being taken out of our 2021/22 budgets.</p> <p>Farm Africa programmes generally work on multi-year funding cycles. As of Q4 2021 we had secured £7.7million towards our 2022 grant funding target. While UK Aid funding remains very hard to come by, we have successfully built out our donor network in other directions, with new relationships including the multi-donor Central Africa Forest Initiative for our work in DRC.</p> <p>Unrestricted income from our voluntary fundraising reached £2.1million. The COVID 19 pandemic continued to make in person fundraising events very difficult to achieve, and also put pressure on several of our corporate partnerships. However Farm Africa’s regular appeals to our loyal supporter based generated income beyond our planned budget, and helped to even out shortfalls in other fundraising channels.</p> <p>Alongside the global strategy we developed a new Fundraising Strategy that charts the course for growth in unrestricted income as we emerge from the Covid 19 pandemic. While we continue to benefit from the very loyal and generous giving of Farm Africa’s long standing supporter base, the strategy challenges Farm Africa to develop new fundraising channels across new corporate partnerships, high net worth givers, and a new set of relationships in the US.</p>
Supporting prosperous, sustainable and resilient rural communities	<p>We will ensure investments in communities are protected by continual adaptive management and working effectively with all stakeholders involved.</p> <p>We will identify domestic and international market opportunities where farmers can secure higher incomes from their value chains.</p> <p>Our programmes will reach over 500,000+ community members in 2021.</p>	<p>As evidenced by the five case studies of our projects in Ethiopia, Kenya, Tanzania, Uganda and DR Congo, investments in communities have been protected by adaptive programming in light of both the COVID-19 pandemic, conflict and drought that has continued to disrupt access to agricultural inputs, training and markets.</p> <p>Farm Africa’s diverse programming has ensured that domestic and export market opportunities have not just been identified but also secured in 2021 in order to improve household income as a result of sales. Not only in horticulture and coffee but also in grains, legumes, drought tolerant crops and oilseeds. This is also combined with regenerative practice that improves soil and water availability for smallholder farmers.</p> <p>Over 1 million people were reached by Farm Africa’s programmes in 2021. The exact figures for 2021 have been audited and verified, and includes interactive, non-interactive and household beneficiaries where applicable. A brief methodology note is available that provides the</p>

Strategic Objective	Annual goal	Outcome
<p>Technical leadership</p>	<p>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.</p> <p>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.</p> <p>We will do further work to standardise project indicators and tools - with a focus on income, resilience, and women's economic empowerment.</p> <p>We will participate meaningfully in the UN Food Systems Summit and/or COP26: United Nations Climate Change Conference.</p>	<p>definitions of interactive, non-interactive and when household beneficiaries are considered.</p> <p>Our integrated landscape programmes in Bale Eco-region and Central Rift Valley (CRV) continued to operate in 2021 even throughout the State of Emergency (SoE) in Ethiopia, and generated the learning for potential bridging funds for 2022. Although Livestock for Livelihoods was closed down within three months as a result of cuts to the UK Aid budget, the project was closed out successfully with key learning formed. This learning will directly feed into regional animal-health assessment positioning in Ethiopia, Kenya and Tanzania with GALVmed for 2022. Mangrove restoration carbon credit design also restarted for the Kenyan coast.</p> <p>The Cultivate Business Development Service pilot business case was signed off in February 2021, with over 60 SGBs (small growing businesses) sourced from a regional rural agri-business pipeline of 1,400 SGBs over March to July 2021. Cohorts in Kenya and Tanzania began advisory in July 2021, with Ethiopian cohorts also formed. Initial learning was deliberately carried over into DECIDE cohorts for 2022, including use of our online partner African Management Institute (AMI), and into potential BDS work for Kakuma Refugee entrepreneur SGBs. This is to institutionalise BDS insights and learning from the Cultivate pilot (which has incorporated external learning from the Argidius Foundation). Learning on OFWE's disbursement of income was detailed and shared at length on Farm Africa's social media platforms and in-country.</p> <p>We developed a draft Farm Africa Results Framework: with a series of clear outcome (result) statements and indicators aligned to our strategic objectives which can deliver evidence for change across the life of the new strategic plan. This will be finalised in 2022. Additionally an Evaluation and Learning Tracker was formed and reviewed each quarter with evidence of learning applied to new project design and existing project plans.</p> <p>The CEO, and lead Ethiopian technical personnel who have led upon REDD+ climate finance for forest communities, all attended COP 26. Our research Associate also developed a capacity statement for COP26 which was widely shared on social media and our website.</p>
<p>Deepen our partnerships</p>	<p>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.</p> <p>We will explore new partnership opportunities in non-core countries - for example, DRC (building on Virunga) and Liberia.</p> <p>We will further collaborations with three research organisations, universities and/or think-tanks.</p> <p>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.</p>	<p>Extensive achievements were evidenced across our horticulture and coffee sector work. A 10MT solar cooled packhouse was realised on the Growing Futures initiative (to enable reduced post-harvest loss on export and domestic vegetable supply chains), including linkage to Equity Bank on its smallholder schemes. New solar cooled innovation and e-extension was used on outgrower schemes on the Waitrose &amp; Partners Foundation commercial supplier base (Flamingo Ltd); and the first export of chilis in Uganda was achieved. In Virunga and Ethiopia, increased sales, marketing and financing was achieved upon the forest coffee supply chains through Volcafe and UK / Danish retail outlets. In Uganda an evidence case study demonstrated how women's economic empowerment in coffee had been realised in Kanungu. A full Agri-tech analysis was conducted by the Kenya team in April 2021 and has led to renewed partnerships with AMI, AGUnity and Mezzanine.</p> <p>A new partnership opportunity was realised with the Central African Forestry Initiative (CAFI) that will build upon existing Virunga coffee sector work in North Kivu and via a Scoping Study to be conducted in 2022 will determine long term coffee and participatory forestry management for Farm Africa in North and South Kivu. Collaborations were furthered with Galvmed, PICSA University of Reading, and Mantle labs.</p>

Strategic Objective	Annual goal	Outcome
		Partnerships were established and reinforced with the national Kenya Agriculture Livestock Research Organisation (KALRO) via the regenerative agriculture work in Embu county; with the TADB on insurance business development; and with the Environmental Commission of Ethiopia.  In 2021, 21% of Farm Africa's programme expenditure was shared with local/national partners (2020: 28%).
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.	We have progressed this through various measures, including reporting back to staff after each SMT meeting, a bimonthly internal newsletter and all staff project learning exchange meetings. The 2021 staff survey delivered some encouraging results for Farm Africa. Participation rates were at 81%, considerably higher than the previous survey and positive scores received for the important areas of trust in leadership, clarity of strategy, quality of programme delivery, and pride in the organisation. Areas for attention included terms and conditions and the availability of training budgets.  We convened a Diversity and Inclusion working group in 2021 and progressed work on terminology and definitions. A staff consultation exercise will lead to the development of a Diversity and Inclusion strategy in 2022.
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.	We fell short of our target to balance unrestricted income and costs in 2021, closing the year with a deficit on unrestricted funds of £0.4million. This was principally a result of a few programmes where costs and match funding requirements were not fulfilled through restricted funds and therefore had to be covered by the organisation's unrestricted income. Additionally, there was a decrease in restricted programme expenditure due to disruption and security issues caused by conflict in Ethiopia, resulting in reduced cost recovery.  The annual budget for 2022 plans a break even position. Management have agreed a recovery plan to build reserves back to the target of £1.3m by the end of 2023.

### Outlook for 2022

Goals for 2022 are informed by our long-term strategic priorities, as well as the very immediate challenges facing farming communities in eastern Africa:

- Prolonged drought has severely affected the Horn of Africa, in particular southern Ethiopia, northern Kenya and Somalia. Parts of the region are experiencing the driest conditions and hottest temperatures in living memory. As a result, as many as 13 million people were currently experiencing acute food and water shortages over the first quarter of 2022, and this is projected to rise to 25 million by mid-2022.
- Conflict in Ethiopia has somewhat reduced after the peak in insecurity over the last months of 2021. The humanitarian crisis in Tigray remains critical, in spite of some improvements in access. Continued outbreaks of conflict in Oromia will continue to create obstacles to Farm Africa operations. Elections in Kenya in August have potential to be a flash point for violent protest.
- War in Ukraine will disrupt trade and food supply to the region, in particular imports of wheat and edible oils. Inflation running at 30% in Ethiopia puts enormous pressure on cost of living and presents exchange rate challenges for programmes.

Strategic objective	Annual Goal
Achieve growth through diversity in funding	We will raise £12 million of restricted grant funding for both 2022 and 2023, including extending relationships with key strategic donors in Norway and Sweden, expanding our work in integrated landscape management and diversifying our grant funding portfolio.
	We will raise £1.8 million of unrestricted funding in 2022 with a diversified fundraising portfolio, including new relationships in the food sector and in the US, with high net worth partners, and featuring the return of the Farm Africa Trek.
Transforming rural livelihoods	We will define Farm Africa's climate and carbon programme offer, including communicating the results of our forestry projects and defining how Farm Africa will employ resilient, regenerative and climate-smart agriculture approaches to assist smallholder farmers in responding to the impacts of climate change
	We will continue to build on the positive impact of our forestry projects by engaging with local communities to enable them to earn income from selling carbon credits

Strategic objective	Annual Goal
	We will explore broadening our geographical reach, including operational presence in DRC
	We will define Farm Africa's organisational offer in the coffee value chain
	We will demonstrate impact for 500,000+ community members in 2022.
Technical leadership and advocacy	We will continue to deliver integrated landscape management projects in Ethiopia, closely monitoring and responding to security and inflation risks to deliver 2022 project plans work as thought leaders in participatory forest management in the Bale Eco-Region. .
	We will document policy breakthroughs in participatory forest management, benefit sharing, aquaculture and forest reserve management
	We will do further work to embed standardisation of project indicators and tools - with a focus on income, resilience and women's economic empowerment.
Deepen our partnerships	We will establish new partnerships to further explore the potential of Farm Africa projects to access carbon markets.
	We will build on our programme expertise and reputation to extend our technical and funding networks
One Farm Africa	We will agree and implement an action plan building on the staff survey
	We will continue regular internal communications and all staff meetings
	We will progress Farm Africa's diversity and inclusion agenda with a deeper understanding the language and perceptions of the issues within Farm Africa, and develop a Diversity and Inclusion strategy
A sustainable financial future	We will balance our unrestricted income and costs in 2022, maintaining unrestricted reserves at their current level with a view to rebuilding back to pre-COVID levels as soon as possible



# Financial report

In this section we set out Farm Africa’s financial performance in 2021 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:

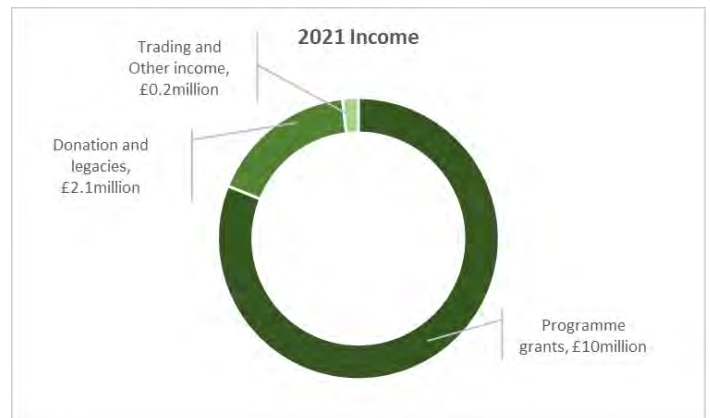
- Grants from governments, institutions and other major donors to fund specific projects (restricted funding);
- Corporate sponsorship income via our trading subsidiary Farm Africa Trading Limited (unrestricted funding);
- Donations, legacies, and other fundraising activities (unrestricted funding).

Total income in 2021 increased to £12.36million (2020: £10.4million). This is mainly due to an increase in the value of programme grants received from donors 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 an increase in grants awarded as we come out of the uncertainties caused by the pandemic.

Programme grants remained the largest funding stream at £10million (2020: £8.4million). This included income on three new projects including: the second phase of our project scaling out integrated and multi-sector eco-regional approach in Bale eco-region in Ethiopia, funded by the European Union; a grant from Agricultural Markets Development Trust to improve market approaches to sunflower production in Tanzania; and funding from Waitrose & Partners Foundation for the next phase of the partners voice project in Kenya.

Donations and legacies, increasing to £2.1million (2020: £1.8million), with our committed giving and responses to appeals remaining at pre-COVID 19 levels, and several significant legacies offsetting the 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;
- Support costs, including head office staff and governance.

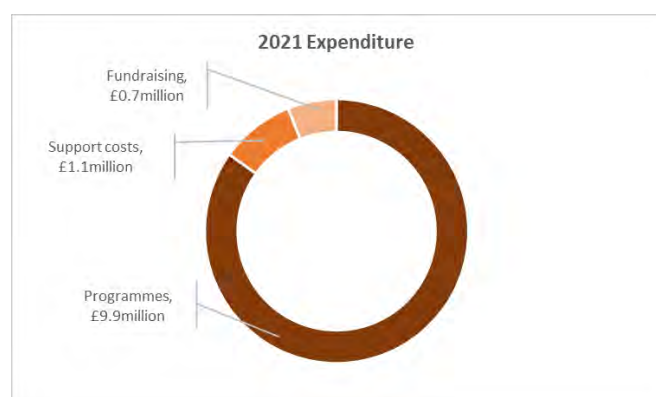
Total expenditure in 2021 decreased to £11.7million (2020: £12.5million).

Programme spend decreased by £1.1million to £9.9million (2020: £11million) with underspends in significant projects in Ethiopia due to disruption and security issues caused by conflict in Ethiopia, with certain projects being put on hold for several months.

Support costs increased by £0.2million to £1.1million (2020: £0.9million). This was expected as a result of the wind down of the UK government furlough scheme and an increase in travel costs as COVID 19 restrictions were lifted.

Fundraising costs increased slightly to £0.7million (2020: £0.6million) due to some additional investment in digital fundraising.

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 surplus of £0.7million for 2021 (2020: deficit £2.2million). This is made up of a £0.4million deficit on unrestricted funds (2020: break even position) and a surplus on restricted funds of £1.1million (2020: deficit £2.2million).

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

The results for the year have been affected by a few programmes where costs and match funding requirements were not fulfilled through restricted funds and therefore had to be covered by the organisation's unrestricted income. Additionally, there was a decrease in restricted programme expenditure due to disruption and security issues caused by conflict in Ethiopia, resulting in reduced cost recovery.

In respect to the surplus on restricted reserves of £1.1million (2020: deficit £2.2million), 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 2021 this figure is a surplus having received income on two major new projects in advance (Bale Eco-region Phase II project funded by the European Union, and funding from Waitrose & Partners Foundation for the next phase of our partnership in Kenya). 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 £5.2million (2020: £4.1million).

The unrestricted reserves of Farm Africa of £1million 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 £1million. 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. 2021 presented challenges for the organisation, with disruption caused by both the COVID 19 pandemic and the security situation in Ethiopia.

The annual budget for 2022 plans a break even position. Management have agreed a recovery plan to build reserves back to the target of £1.3 million by the end of 2023, however the latest forecasts indicate this will be achieved in 2022.

The organisation's forecast and financial sustainability is considered further in the section below, "Going concern".

#### **Reserves policy**

Farm Africa's unrestricted reserves on 31 December 2021 were £1million and its closing restricted reserves were £5.2million.

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;
- 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 overruns;
- 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 2021. 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 are currently reviewing the reserves policy and reserves target in light of the challenges faced by Farm Africa in 2021.

## 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 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, and is currently £1.0 million at the start of 2022 and forecast to build reserves to £1.2 million by the end of 2022.

The key risks in our financial model are a decline in income from unrestricted donations and legacies and a shortfall 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 we remain cautious given the wider economic uncertainties still facing households across the country.

The Ethiopia programme experienced disruption and security issues caused by the conflict in 2021, causing a shortfall in budgeted cost recovery. 2022 brought with it stability and the ability to resume work in affected areas. However, inflation and other economic factors continue to present challenges for project delivery.

Our donors recognise the particular challenges presented by these conditions and have worked closely with us to accommodate changes to plans and budgets, particularly where projects can be adapted to address the immediate impacts on beneficiary communities or extended. The continued economic pressures and sporadic security issues, 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 2022 and 2023, cost reductions identified could ensure swift recovery of unrestricted reserves at a minimum level of £1.0million by June 2023.

We have also considered other scenarios in which programme spend in some months is significantly reduced due to disruption in our Ethiopia programme. 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.

Trustees 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 2022 of projects already secured or very likely to be secured is very healthy, with contracts to the value of £14million secured for 2022, compared to a target of £12million.

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
- 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 24 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 24.

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 2021 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 2021 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
- to provide management with advice and a sounding-board on aspects of its programme work.

The nomination and remuneration committee also continued its work during the year, 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
- 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
- *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 2021, 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 £11,000 (2021: loss of £52,000). 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. Note 27 of the Financial Statements details a post balance sheet event relating to this investment.

### 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) Security*

Farm Africa maintains a global security management policy, a stand-by crisis management, and country level security plans. During 2021 security risks and incidents were actively and effectively managed in Ethiopia and DRC. In Ethiopia, civil unrest and conflict worsened throughout 2021, resulting in a humanitarian crisis which reached its peak at the end of the year. Farm Africa teams suspended several programmes and were forced to put work on hold in various locations, including Tigray and Amhara. Team communication and movement control during this period demonstrated excellent use of the security protocols. Careful monitoring and clear action on staff security kept Farm Africa teams and partners safe during this period.

#### *ii) Financial pressures resulting from political instability and disruption*

Disruption to our activities as a result of conflict rapidly impacts project delivery and cost recovery, putting pressure on unrestricted reserves. Political instability can also drive inflation and rising costs, putting pressures on Farm Africa's budget. With the outbreak of conflict in Ethiopia, the risk to our financial outlook was reviewed monthly, with mitigating actions being taken as needed to ensure financial sustainability and resilience of our programmatic work, including discussions with donors, revision of project budgets and scenario planning. Maintenance of a robust financial control environment enabled effective monitoring and appropriate action to be taken to manage the impact of these financial pressures on Farm Africa's financial position. The section 'Going Concern' on page 19 describes the trustee's assessment of Farm Africa's going concern status and the current financial outlook.

#### *iii) Climate*

There is a serious risk that if greenhouse gas emissions continue on current trajectories, extreme heat and climatic events such as droughts and floods will make it increasingly difficult for Farm Africa to achieve its core mission of getting smallholders to produce, sell and earn more. We have started to see the impact of climate change amongst the communities we work with, in particular the affects of prolonged drought across the Horn of Africa. Climate action is a cross-cutting priority in Farm Africa's new strategy and reducing emissions and embedding resilient, regenerative and climate-smart agriculture approaches are central to our project work. We will

adapt and respond to the challenges faced by the communities we work with.

#### *iv) Impact of Covid-19 on unrestricted income*

Certain income streams came under strain during the pandemic, with a reduction in income from events in particular. However, recruitment in the External Relations team has increased capacity for fundraising from corporate sources as well as trusts and foundations, with new opportunities pursued in these income streams. In 2021 the loyalty and generosity of Farm Africa supporters has helped Farm Africa to navigate the financial challenges posed by the pandemic.

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 has an annual income of approximately £12million, a track record of world class technical expertise and delivery and around 200 staff internationally. This provides the organisational context in which to set our remuneration policy.

Farm Africa aims to pay around the median level for a charity of our size; for this purpose we benchmark all salaries in the UK and internationally annually against sector-specific salary surveys and cross-reference them against local cost of living indices. This data is translated into salary scales for the UK

and each operational country and approved by Farm Africa's senior team. All staff are paid in line with these salary scales.

The nomination and remuneration committee uses the benchmark data to review and fix annual senior salary increases. We believe that our senior salaries paid as a result of this process are a proper reflection of the skills, knowledge and experience required to run an organisation like ours. The bandings for senior staff remuneration are disclosed in Note 11.

### Fundraising disclosure

In 2021 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 2021 (2020: nil) 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 2021 Farm Africa comprehensively updated the Board Guide, providing a clear induction for new and existing trustees on the specific responsibilities of board members.

Farm Africa considers that it is compliant with the Charity Governance Code.

### 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
- Be transparent and open by reporting any cases of abuse to the appropriate authorities.

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

- Promote the rights of the people we work with to live free from abuse and coercion;
- Ensure the well-being of the people we work with
- Manage our work in a way that promotes safety and prevents abuse.

The board has 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 30 June 2022 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 (resigned 22 October 2021)  
Nick Allen (Treasurer)  
John Young (Board Secretary)  
Minette Batters  
Colin Brereton  
Serena Brown  
Ken Caldwell (appointed 8 February 2021)  
Laketch Mikael  
Jan Bonde Nielsen  
Jane Ngige  
Charles Reed  
Tim Smith

### Registered Charity Number

326901

### Registered Company Number

01926828

### Registered Office and Principal Office

3-5 Bleeding Heart Yard  
London EC1N 8SJ

### 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 2021 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 2021 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](http://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.

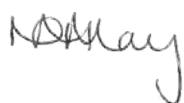
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of voluntary and grant income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, 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.



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

Date: 4th July 2022

# Part 3

# Financial Statements

**Consolidated Statement of Financial Activities**

(incorporating Income and Expenditure Account) for the year ended 31 December 2021

	Note	2021 Unrestricted funds £'000	2021 Restricted funds £'000	Total funds £'000	2020 Unrestricted funds £'000	2020 Restricted funds £'000	Total funds £'000
<b>Income from</b>							
Donations and legacies	2	2,110	-	2,110	1,798	-	1,798
Government grants	3	1	-	1	59	-	59
Charitable activities							
General		-	10,026	10,026	-	8,403	8,403
Total income from charitable activities	4	-	10,026	10,026	-	8,403	8,403
Other trading activities	5	159	-	159	62	-	62
Investments	5	1	1	2	2	10	12
Other income	5	62	2	64	34	-	34
Total income		2,333	10,029	12,362	1,955	8,413	10,368
<b>Expenditure on</b>							
Raising funds	7	701	-	701	644	-	644
Charitable activities							
Agriculture		514	2,224	2,738	358	3,094	3,452
Market Engagement		854	3,697	4,551	503	4,341	4,844
Environment		697	3,017	3,714	373	3,218	3,591
Total expenditure on charitable activities	8	2,064	8,938	11,002	1,234	10,653	11,887
Total expenditure		2,766	8,938	11,704	1,878	10,653	12,531
Net income/(expenditure) for the year	6	(433)	1,091	658	77	(2,240)	(2,163)
Total funds brought forward		1,442	4,125	5,567	1,365	6,365	7,730
Total funds carried forward	17	1,009	5,216	6,225	1,442	4,125	5,567

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 33 to 48 form an integral part of these financial statements.

**Consolidated and Charity Balance Sheets**

As at 31 December 2021

	Note	2021 Group £'000	2021 Charity £'000	2020 Group £'000	2020 Charity £'000
<b>Fixed assets</b>					
Tangible assets	12	98	98	85	85
		98	98	85	85
<b>Current assets</b>					
Debtors	14	862	1,066	1,173	1,352
Cash at bank and in hand		5,852	5,690	5,132	4,985
		6,714	6,756	6,305	6,337
<b>Creditors</b>					
Amounts falling due within one year	15	(500)	(497)	(678)	(676)
Net current assets		6,214	6,259	5,627	5,661
Total assets less current liabilities		6,312	6,357	5,712	5,746
Provisions for liabilities and charges	16	(87)	(87)	(145)	(145)
Net assets		6,225	6,270	5,567	5,601
<b>The funds of the Group and Charity</b>					
Restricted funds	17	5,216	5,216	4,125	4,125
Unrestricted funds - general	17	1,009	1,054	1,442	1,476
Total funds	17	6,225	6,270	5,567	5,601

The surplus for the financial year dealt with in the financial statements of the parent company was £671,000.

Approved by the Board and authorised for issue on 30 June 2022 and signed on their behalf by:



**John Reizenstein**  
Chair



**Nick Allen**  
Treasurer

Registered Company No.: 01926828

The notes on pages 33 to 48 form an integral part of these financial statements.

**Consolidated Statement of Cashflows**

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Cash flows from operating activities:</b>			
Net cash used in operating activities	A	740	(1,476)
<b>Cash flows from investing activities:</b>			
Dividends, interest, and rent from investments		2	12
Disposal of tangible fixed assets and capital grants		23	-
Purchase of tangible fixed assets and capital grants		(45)	(88)
Net cash used in investing activities		(20)	(76)
Change in cash and cash equivalents in the reporting period		720	(1,552)
Cash and cash equivalents at the beginning of the reporting period		5,132	6,684
Cash and cash equivalents at the end of the reporting period		5,852	5,132

**Notes to the Statement of Cash Flows**

## A. Reconciliation of cash flows from operating activities

	2021 £'000	2020 £'000
Net (expenditure)/income for the reporting period (as per the Statement of Financial Activities)	658	(2,163)
Adjustments for:		
Depreciation	30	26
Profit on the disposal of fixed assets	(23)	-
Decrease/(increase) in debtors	313	639
Increase/(decrease) in creditors falling due within one year	(178)	23
Increase/(decrease) in provisions	(58)	11
Decrease in stocks	-	-
Dividends, interest and rents from investments	(2)	(12)
Non-cash movement on disposal of subsidiary	-	-
Net cash used in operating activities	740	(1,476)

## B. Analysis of cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand in the UK and overseas	5,852	5,132
	5,852	5,132



## 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 3-5 Bleeding Heart Yard, London, EC1N 8SJ. 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 surplus of the charitable company was £671,000 (2020: net deficit £2,064,000).

#### *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 that could negatively affect the charity.

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 three thematic priorities of our new strategy: agriculture, market engagement (previously 'business') and environment. 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
	2021	2021	2021	2020
	£'000	£'000	£'000	£'000
<b>General</b>				
Committed giving	450	-	450	453
Appeals and donations	591	-	591	660
Legacies	822	-	822	460
Fundraising events	63	-	63	41
Corporate donations	36	-	36	16
Gifts in kind: donated services	43	-	43	70
Gifts in kind: donated assets	18	-	18	61
	<b>2,023</b>	-	<b>2,023</b>	1,761
<b>Grants</b>				
Trusts and Foundations	87	-	87	37
	<b>87</b>	-	<b>87</b>	37
<b>Total donations and legacies</b>	<b>2,110</b>	-	<b>2,110</b>	1,798

**3. Government grants**

The charity and group has received £1.3k (2020: £59k) 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**

	<b>Restricted funds 2021 £'000</b>	Restricted funds 2020 £'000
<b>Grants from government, institutional and other similar donors</b>		
Agriconsulting Europe	-	35
Agricultural Markets Development Trust	173	18
Agriculture Business Initiative Trust	88	131
Ajahma Charitable Trust	-	230
Aldi	66	94
Alliance for a Green Revolution in Africa	95	93
European Union	2,571	17
Forest of the World	26	65
Pilot House Philanthropy (previously Highwater Global Fund)	-	122
Irish Embassy	-	67
Jersey Overseas Aid Commission	260	120
Msingi East Africa	-	14
Netherlands Embassy of Kenya	-	27
Norwegian Agency for Development Cooperation	149	357
Open Society Foundation	130	-
Packard Foundation	778	75
Royal Norwegian Embassy	676	684
Slovak Aid	-	16
SOS Sahel	-	30
Swedish International Development Co-operation Agency	1,480	3,386
Technical Centre for Agricultural and Rural Co-operation	-	6
The Deutsche Gesellschaft für Internationale Zusammenarbeit	189	216
UK aid from the FCDO (previously DFID) – Aid Direct	674	1,082
UK aid from the FCDO (previously DFID) – Aid Match	135	235
USAID	115	54
Virunga Foundation	109	75
Vitol Foundation	109	151
Waitrose Foundation	1,009	191
World Food Programme	832	707
UN Women	130	-
Other international agencies and other donors	232	105
<b>Total grants from government, institutional and other similar donors</b>	<b>10,026</b>	<b>8,403</b>
<b>Total income from charitable activities</b>	<b>10,026</b>	<b>8,403</b>

**5. Other income**

	Unrestricted funds	Restricted funds	Total funds	Total funds
	2021	2021	2021	2020
	£'000	£'000	£'000	£'000
<b>Other trading activities</b>				
Trading	159	-	159	62
Total other trading activities	159	-	159	62
<b>Investment income</b>				
Deposit interest	1	1	2	12
Total investment income	1	1	2	12
<b>Other income</b>				
Sub-lease of office space and other miscellaneous income	39	2	41	34
Profit on sale of assets	23	-	23	-
Total other income	62	2	64	34
<b>Total</b>	<b>222</b>	<b>3</b>	<b>225</b>	<b>108</b>

**6. Net income for the year**

This is stated after charging:	Total	Total
	2021	2020
	£'000	£'000
Depreciation and amortisation	30	26
Payments under operating leases	98	82
Auditor's remuneration for the annual statutory audit:		
Charitable company	28	27
Subsidiary companies	2	2

**7. Expenditure on raising funds**

	2021	2020
	£'000	£'000
<b>Donations and legacies</b>		
Fundraising costs	468	466
Support costs allocated (note 10)	50	38
	518	504
<b>Charitable activities</b>		
Fundraising costs	14	12
Support costs allocated (note 10)	2	1
	16	13
<b>Other trading activities</b>		
Fundraising costs	151	117
Support costs allocated (note 10)	16	10
	167	127
<b>Total</b>	<b>701</b>	<b>644</b>

**8. Expenditure on charitable activities**

	Operational programmes	Grants payable	Support costs*	Total	Total
	2021	2021	2021	2021	2020
	£'000	£'000	£'000	£'000	£'000
		(note 9)	(note 10)		
Agriculture	1,923	549	266	2,738	3,452
Market Engagement	3,247	861	443	4,551	4,844
Environment	1,947	1,405	361	3,714	3,591
<b>Total</b>	<b>7,117</b>	<b>2,815</b>	<b>1,070</b>	<b>11,002</b>	<b>11,887</b>

\* 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)**

	2021	2020
	£'000	£'000
<b>Ethiopia projects</b>		
Assosa Environmental Protection Association	8	32
Frankfurt Zoological Society	557	358
International Water Management Institute	227	176
Melca – Ethiopia	119	141
Mercy Corps	169	46
Mothers and Children Multisectoral Development Organization	35	43
Organization for Rehabilitation and Development in Amhara	226	176
PHE Ethiopia Consortium	314	434
SOS Sahel	541	662
Sustainable Environment and Development Action	182	270
TechnoServe	12	275
Union of Ethiopian Women Charitable Association	151	596
<b>Kenya projects</b>		
African Aquaculture Resource Centre	66	-
Jewlet Enterprises	-	18
Pioneer Fish Farm	-	1
TIGOI Fish Farm	-	1
UNGA Farm Care Limited	-	2
<b>Tanzania projects</b>		
Friends in Development	25	16
Masupa Enterprises	-	3
Tanzania Horticultural Association	1	37
TCCIA Manyara	25	
<b>Uganda projects</b>		
Africa Innovations Institute	48	105
Kahawatu	27	14
North Eastern Chilli Producers Association	82	100
Twin	-	2
	<b>2,815</b>	<b>3,508</b>

Grants were payable during the year to partners working on restricted projects. At year end there were ten payments totalling £153,000 outstanding to TechnoServe, SOS Sahel and Int. Water Management Institute (2020: there were eight payments totalling £278,000 outstanding to partners).

**10. Analysis of support costs**

	Management costs	Office costs	Finance & IT costs	HR costs	Governance costs	Total	Total
	2021	2021	2021	2021	2021	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Charitable activities</b> (note 8)							
Agriculture	29	83	112	35	7	266	262
Market Engagement	47	137	187	59	12	443	368
Environment	39	112	153	48	9	361	272
	115	332	452	142	28	1,070	902
<b>Expenditure on raising funds</b> (note 7)							
Donations and legacies	5	16	21	7	1	50	38
Charitable activities	-	-	1	-	-	1	1
Other trading activities	2	5	7	2	-	16	10
	7	21	29	9	1	67	49
	122	353	481	151	29	1,137	951

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**

	2021	2020
	£'000	£'000
<b>Staff costs</b>		
Wages and salaries (including life assurance)		
Overseas contracted staff	3,189	3,565
UK contracted staff	1,593	1,436
	4,782	5,001
Social security costs	132	125
Pension costs	92	88
	5,006	5,214

Wages and salaries includes £78,000 (2020: £27,000) 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 £829,000 (2020: £744,000).

In 2020 the senior management team took a salary cut of up to 20% in order to respond to the challenges presented by the pandemic and there were key management vacancies for a number of months. In 2021, salary sacrifice arrangements came to an end and key management vacancies were filled.

	2021	2020
	No.	No.
Employees with remuneration in the range of £60,001 to £70,000	-	2
Employees with remuneration in the range of £70,001 to £80,000	4	2
Employees with remuneration in the range of £80,001 to £90,000	-	2
Employees with remuneration in the range of £90,001 to £100,000	1	-
Employees with remuneration in the range of £100,001 to £110,000	1	-

The average number of employees for the group during the year analysed by function were:

	2021	2020
	No.	No.
<b>Overseas contracted staff</b>		
Farm Africa	173	196
<b>UK contracted staff</b>		
Fundraising and communications	14	13
Programmes support	2	6
Management and administration of charity	10	8
	200	223

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

No trustees were reimbursed for expenses on behalf of the organisation. The cost incurred by the charity for the trustee indemnity insurance was £3,200 in 2021 (2020: £3,000).

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 2021 was £6,000 (2020: £11,000).

**12. Tangible fixed assets****Group and Charity**

	Leasehold improvements £'000	Vehicles £'000	Machinery & equipment £'000	Computer equipment £'000	<b>Total</b> <b>£'000</b>
<b>Cost</b>					
At 1 January 2021	82	68	32	116	<b>298</b>
Additions	13	18	4	10	<b>45</b>
Disposals	-	(6)	-	-	<b>(6)</b>
At 31 December 2021	95	80	36	126	<b>337</b>
<b>Depreciation</b>					
At 1 January 2021	(82)	(19)	(31)	(81)	<b>(213)</b>
Charge for the year	-	(15)	(1)	(14)	<b>(30)</b>
Disposals	-	4	-	-	<b>4</b>
At 31 December 2021	(82)	(30)	(32)	(95)	<b>(239)</b>
<b>Net book value</b>					
At 31 December 2021	13	50	4	31	<b>98</b>
At 31 December 2020	-	49	2	34	<b>85</b>

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 £449,000 (2020: £417,000). 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 2021:

Company	Company Status	Investment classification	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Farm Africa Trading Limited (company number: 7398449)*	Active	Subsidiary	UK	100% owned by Farm Africa	Trading activities
Farm Africa Enterprises Limited (company number: 9359340)*	Active	Subsidiary	UK	100% owned by Farm Africa	Holding company
Farm Africa Intellectual Property Limited (company number: 7401279)*	Dormant	Subsidiary	UK	100% owned by Farm Africa	IP and registered trade marks
Sidai Africa Limited (formerly Farm Africa Enterprises Limited) (company number: 7401522)*	Active	Investment	UK	24.5% owned by Farm Africa Enterprises Limited <sup>2</sup>	Holding company
Sidai Africa (Kenya) Limited (formerly Sidai Africa Limited)**	Active	Investment	Kenya	796,073 shares owned by Sidai Africa & 1 share owned by Farm Africa	Provision of veterinary services

\* Registered office: 3 – 5 Bleeding Heart Yard, London EC1N 8SJ

\*\* Registered office: Karen South Estate, Ndalat Rd, Mukangu close, PO Box 27256-00100 Nairobi

As at 31 December 2021 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. Please see note 27 for details of a post balance sheet event relating to this investment.

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

	Farm Africa Enterprises Limited		Farm Africa Intellectual Property Limited		Farm Africa Trading Limited	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Total incoming resources	-	-	-	-	142	64
Total resources expended	-	-	-	-	(153)	(119)
Retained surplus / (deficit) for the year	-	-	-	-	(11)	(55)
Total assets	-	-	-	-	182	173
Total liabilities	-	-	-	-	(226)	(206)
	-	-	-	-	(44)	(33)

**14. Debtors**

	2021 Group £'000	2021 Charity £'000	2020 Group £'000	2020 Charity £'000
Amounts owed by subsidiary undertakings	-	223	-	204
Trade debtors	155	136	61	54
Other debtors	59	59	55	55
Prepayments	125	125	108	108
Accrued income – other	1	1	53	35
Accrued income – project grants	522	522	896	896
	<b>862</b>	<b>1,066</b>	1,173	1,352

**15. Creditors: Amounts falling due within one year**

	2021 Group £'000	2021 Charity £'000	2020 Group £'000	2020 Charity £'000
Trade creditors	82	81	96	96
Deferred income	-	-	20	20
Other creditors and accruals	275	273	284	282
Grant obligations	143	143	278	278
	<b>500</b>	<b>497</b>	678	676

**Charity and Group**

	2021 £'000	2020 £'000
At 1 January	278	118
Grants paid to partners in settlement of obligations at year-end	(278)	(118)
New grant obligations	143	278
As at 31 December	<b>143</b>	278

**16. Provisions for liabilities and charges****Group and Charity**

	Severance	Dilapidations	Potential non-recoverable project costs	<b>Total 2021</b>	Total 2020
	£'000	£'000	£'000	<b>£'000</b>	£'000
At 1 January	97	15	33	<b>145</b>	134
Amounts charged to the Statement of Financial Activities	43	-	-	<b>43</b>	57
Amounts used during the year	(58)	(10)	(33)	<b>(101)</b>	(46)
As at 31 December	82	5	-	<b>87</b>	145

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.

**17. Movements in funds**

	At 1 January 2021	Income	Expenditure	At 31 December 2021
	£'000	£'000	£'000	£'000
Ethiopian programmes	4,072	6,587	(6,003)	<b>4,656</b>
Kenyan programmes	49	1,549	(1,162)	<b>436</b>
Tanzanian programmes	17	857	(860)	<b>14</b>
Ugandan programmes	(108)	732	(628)	<b>(4)</b>
UK programmes	(16)	304	(285)	<b>3</b>
Forestry programme	59	-	-	<b>59</b>
Other miscellaneous restricted funds	52	-	-	<b>52</b>
<b>Movement on restricted funds</b>	<b>4,125</b>	<b>10,029</b>	<b>(8,938)</b>	<b>5,216</b>
<b>General funds</b>	<b>1,442</b>	<b>2,333</b>	<b>(2,766)</b>	<b>1,009</b>
<b>Movement on unrestricted funds</b>	<b>1,442</b>	<b>2,333</b>	<b>(2,766)</b>	<b>1,009</b>
<b>Total movement on reserves</b>	<b>5,567</b>	<b>12,362</b>	<b>(11,704)</b>	<b>6,225</b>

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 2020 are presented below.

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

**18. Net assets analysis (Group)**

	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
<b>Fund balances at 31 December 2021 are represented by:</b>			
Tangible and intangible fixed assets	98	-	98
Net current assets	911	5,216	6,127
<b>Total</b>	<b>1,009</b>	<b>5,216</b>	<b>6,225</b>

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
<b>Total</b>	<b>1,442</b>	<b>4,125</b>	<b>5,567</b>

**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 2021 Farm Africa has the following commitments under non-cancellable operating leases:

	Equipment £'000	Property £'000	Total 2021 £'000	Total 2020 £'000
In less than one year	15	109	<b>124</b>	123
Between one and five years	20	149	<b>169</b>	32
	35	258	<b>293</b>	155

**21. Related party transactions**

There were no related party transactions requiring disclosure other than transactions with subsidiaries (2020: none).

Farm Africa Limited charged a management fee of £36,700 (2020: £22,000) to Farm Africa Trading Limited. At 31 December 2021, Farm Africa Trading owed £223,000 (2020: £204,000) to Farm Africa Limited.

**22. Parent company result**

The parent company generated a surplus of £671,000 (2020: deficit £2,064,000).

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 2021, 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 £92,000 (2020: £88,000).

**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 £209,000 (2020: £665,000).

**25. Capital commitments**

There were no capital commitments outstanding as at 31 December 2021 (2020: none).

**26. Acting as agent**

Farm Africa acted as an agent during the reporting period. The charity received £3,814,000 (2020: £3,962,000) and paid £581,000 (2020: £3,962,000) as agent during the period, with a balance as at 31 December 2021 of £3,233,000 (2020: £nil).

**27. Post Balance Sheet Event**

On 7 June 2022 the directors of Farm Africa Enterprises Limited approved the sale of the company's shareholding in Sidai Africa Limited to its shareholders for a nominal consideration.