2018 ANNUAL REPORT AND FINANCIAL STATEMENTS

Photo: Esther Ruth Mbabazi / Farm Africa

FARM AFRICA

Contents

PART ONE: TRUSTEES' REPORT

Photo: Esther Ruth Mbabazi / Farm Africa

FARM AFRICA

Report of the Chair and Chief Executive

Report from the Chair

This Annual Report is the final report I have the privilege to put my name to as Farm Africa's Chair. Along with Farm Africa's Deputy Chair, Jonathan Kydd, I am stepping down from my post in July 2019. I will be succeeded as Chair by John Reizenstein, while Judith Batchelar will take on the role of Deputy Chair.

Since starting as Chair in 2013, I have seen Farm Africa grow its programme portfolio hugely, allowing this great organisation to reach more people in eastern Africa, making a lasting change to farmers' livelihoods and restoring and protecting the landscapes on which they depend.

The organisation is constantly evolving and as I depart I am excited to see Farm Africa start operations in a new country: the Democratic Republic of the Congo, and to embark upon new innovative work in eastern Ethiopia helping not only refugee communities but host communities improve their lives through sustainable agriculture. I also welcome the news that Sidai, a social enterprise founded by Farm Africa, is set to grow following the recent $2.25 million investment from leading agri-tech company Devenish.

As I look back over my time at Farm Africa I am proud to have rallied support for our programmes from a range of audiences. Some of my most cherished memories are from leading increasingly ambitious fundraising treks in eastern Africa. The most recent trek in 2018, a trans-boundary expedition starting at Farm Africa's orange-fleshed potato project in Uganda, encompassing the ascent of the extinct volcano Mount Elgon, and ending at the charity's Growing Futures project in western Kenya, encapsulated everything Farm Africa stands for. Innovative programming. Improved agriculture. Environmental protection. Strengthened links to market. And a healthy dose of challenge and camaraderie.

I extend heartfelt thanks to Jonathan Kydd, my other fellow Trustees, Farm Africa's CEO Nicolas Mounard and his team across six countries, and to everybody who has supported Farm Africa over the last year. Your support is quite simply transforming lives.

Richard Macdonald CBE

Chair

Report from the Chief Executive

Welcome to Farm Africa's Annual Report, a look at some of our 2018 highlights. We are pleased to present case studies of projects in four countries: Ethiopia, Kenya, Tanzania and Uganda, which illustrate the breadth of the organisation's remit and impact.

What unites our work with sesame growers, fish farmers, goat keepers and agro-pastoralists is a triple focus on improving agriculture, safeguarding the environment and taking a business approach to farming. The three pillars of agriculture, environment and business underpinned all 26 of Farm Africa's projects in 2018 and were vital to our success in sustainably improving lives across eastern Africa.

The report also introduces Chefs for Change, a movement we spearheaded in association with the World's 50 Best Restaurants and American NGO TechnoServe in 2018. As we go to print in June 2019, our first ambassador chefs have just returned from trips to visit the two NGOs' projects in eastern Africa and Peru. We are excited to work with them to champion the importance of sustainable agriculture to achieving the Sustainable Development Goals, a universal call to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

It was a year of growth for Farm Africa. Our income increased from £12.0 million in 2017 to £14.9 million in 2018 (or, including Sidai, from £14.7 million to £18.1 million) and we were proud to open a variety of innovative new projects ranging from cashew farming in coastal Kenya to chilli farming in Uganda to a project empowering Ethiopian women to adapt to and mitigate against climate change. We were delighted to submit a successful proposal to the EU to scale up one of our largest projects: a coordinated effort to preserve ecosystems and boost livelihoods in Ethiopia's Bale Eco-Region.

This report offers just a small window into Farm Africa's operations in 2018. I invite you to visit our website at www.farmafrica.org or follow us on social media to find out more.

On behalf of the whole organisation and the farming families we serve, many thanks to all those who have supported Farm Africa in 2018. Our work would not be possible without you.

Nicolas Mounard

Chief Executive

Strategic report

In this section, we set out Farm Africa's mission, values and strategic goals. We then describe its activities, illustrating these through a number of case studies focusing on specific projects. Finally, we summarise Farm Africa's achievements against its objectives set for the year and look ahead to its goals for 2019.

Vision, mission and values

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

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

We have an ambitious strategy to expand our work over the next five years and beyond: to lift more communities out of poverty; to open up more agricultural markets; to provide more expertise and increase our impact.

Our mission

We drive agricultural and environmental change to improve lives.

Our strategy has three pillars:

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

Our values

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

2016 – 2020 strategy

In 2016 we published our strategy for the period 2016 – 2020 called "Driving prosperity through agriculture". Founded on the belief that investing in smallholder farming is the number one way to tackle poverty in rural Africa, the strategy sets out our eight strategic goals for Farm Africa as an organisation. These are summarised in the table below.

Strategic goals

Goal one: To be a leading specialist NGO	We will define ourselves as an agriculture, environment and market engagement specialist in a landscape featuring mainly generalist NGOs and generalist private consultancies
Goal two: To comprehensively codify our approach	We will codify, strengthen and disseminate our approach and tools by collating the cutting edge knowledge of our technical staff and drawing upon existing best practice from across our portfolio of projects
Goal three: To strengthen our commercial expertise	We will deepen our understanding of agricultural value chains and the stakeholders and businesses that operate within them. We will increase our ability to facilitate trade
Goal four: To develop an organisational monitoring and evaluation (M&E) framework	Currently, our M&E framework is mainly project specific, with different indicators and measurements for different projects. We will create an organisational M&E framework to measure, aggregate and analyse our overall successes and impact
Goal five: To build a high-performance culture	We will improve our cross-departmental ways of working. We will enhance our knowledge management capacity. We will roll out an organisational learning and development framework
Goal six: To ensure sustainable income streams	With the ending of DFID's Programme Partnership Arrangements (PPA) funding, we expect to shift from a funding model financed more by restricted funding than unrestricted funding. We will ensure our central operating costs are highly lean and efficient. We will look to improve our cost recovery on institutional funding income
Goal seven: To embrace digital	We need to progressively move direct marketing to digital to engage new audiences and recruit new supporters efficiently and effectively
Goal eight: Expand our footprint	We aim to expand our footprint in Africa to manage bigger programmes, reach more farmers and generate more impact

How we work

Our strategy sets out how we seek to realise these objectives through our work on the ground.

Our programmatic approaches are described below and summarised in the table on the following page.

Farm Africa's approach to agriculture

Technology

Yields from smallholder crop production in eastern Africa are typically only 20-30% of what could be produced if the best seeds, fertilisers, pest control, agronomic and water management practices were applied. Facilitating smallholders' uptake of appropriate technologies is crucial to making African farmers thrive. Farm Africa promotes innovations that allow farmers to make the most of their land and labour, enhances their capacity to adapt and design innovations, and improves supply chains so that high-quality inputs are more readily available.

Climate-smart agriculture

Few groups are hit harder by extreme weather than African smallholder farmers, making their livelihoods and food security particularly vulnerable to the effects of climate change. Farm Africa's approach to climate-smart agriculture combines community knowledge with the power of the market to build rural communities' resilience to current climate shocks, in preparation for shifting climate patterns, all while minimising agriculture's environmental impact.

Land, water and environment

One good harvest is not enough. Farm Africa equips smallholder farmers with the skills and knowledge to sustainably manage the natural resources they rely on to achieve good harvests year after year.

Farm Africa's approach to the environment

Integrated landscape management

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

Grazing land management

Eastern Africa's drylands are home to millions of pastoralists who migrate with their herds seeking water and pasture for their livestock. The sophisticated commons systems that have for centuries provided resilient livelihoods are struggling to cope under the weight of new pressures. Population growth and economic challenges have disturbed the balance between the needs of individual herders and the need to sustain communal grazing lands. Farm Africa addresses these concerns to ensure that rangelands are managed sustainably.

Participatory forest management

Africa's forests are at risk, with large swathes of forest territories being axed for firewood or converted into agricultural land every year. Their disappearance is endangering water, food and energy security and contributing to global warming. Farm Africa develops economic incentives for communities to sustainably manage and protect forests by helping them to earn a living from forest-friendly businesses, like wild coffee harvesting and beekeeping.

Farm Africa's approach to business

Trade

There is a strong push from the food industry to source produce from smallholders. Farm Africa responds to this demand by strengthening the links between smallholders, agribusinesses and retailers. Whether it's premium coffee in Ethiopia or the lucrative French bean in Kenya, we help rural communities identify and tap in to consumer demand so they can sell more and sell for more.

Access to finance

Despite agriculture being the mainstay of eastern Africa's economy, the sector remains underserved by the financial industry. Smallholders and agribusinesses lack the financial products they need to develop profitable and sustainable enterprises. Yet, banks are hungry for more customers. Farm Africa works in between the financial and agricultural sectors to match supply with demand and find products that meet the specific needs of both groups.

Business development

Rural enterprises vary widely in size, specialism and capacity for growth. Many small businesses lack the basic skills they need to expand operations or develop their business model. We support the start-up of new agribusinesses, improve their sales capacity and foster sustainable trading relationships between agribusinesses and smallholders.

AGRICULTURE

Agricultural yields and profits in sub-Saharan Africa are a fraction of their potential. Yet, fertile land and water resources are available there, and smallholders manage 80% of the farmland. Unlocking the potential of smallholders and farm workers in sub-Saharan Africa is key to driving prosperity there.

ENVIRONMENT

Soil erosion, deforestation and destruction of grazing lands are threatening rural people's livelihoods across eastern Africa, as well as contributing to climate change. Climate uncertainty and weather extremes are making the situation worse. The preservation of soil, forests, grazing lands and water resources and the adoption of climate-smart agricultural techniques are all critical to growth.

BUSINESS DEVELOPMENT

Despite the growth in global trade, today only 1.7% of the world's exports originate from sub-Saharan Africa. Many smallholder farmers lack links to local markets, let alone international buyers. There is huge potential to push up sales.

From creating cooperatives to finding finance, helping farms become sustainable businesses could lift millions of families in rural Africa out of poverty and bolster the continent's food security.

Our activities and achievements

2018 has been another successful year for Farm Africa. We have reached 2.6 million beneficiaries across 26 projects, ranging from forest coffee production in the Bale mountains of Ethiopia to aquaculture in the Kenyan Rift Valley. We started our first ever project in the Democratic Republic of Congo, and will build on this in 2019. We secured new grants and contracts with a combined value of £18million, underpinning our long-term growth plans.

Over the next eight pages we describe in more detail the impact our work has had on communities across eastern Africa, focusing on four projects. We also introduce the Chefs for Change movement, which we are leading in association with the World's 50 Best Restaurants and TechnoServe. Finally we review performance in detail against our 2018 objectives, and set out our goals for the coming year.

LIVESTOCK FOR LIVELIHOODS

2018-2022 | SOUTH OMO, ETHIOPIA AND KARAMOJA, UGANDA

Farm Africa is helping improve the livelihoods and health of 10,000 Ugandan and Ethiopian pastoralist women and their families through a new multi-layered three-year livestock programme, which began in 2018.

The drylands of Ethiopia's South Omo zone and Uganda's Karamoja northern region are home to thousands of pastoralists who rely on livestock for their livelihoods. Over time, in both regions, disease, drought and degraded grasslands have reduced the size of herds, exacerbating high levels of poverty and malnutrition. Goats are well suited to these challenging landscapes and provide a potential solution to improving the livelihoods of thousands of households in these borderland regions of Ethiopia and Uganda.

Goats are kept close to homesteads and are traditionally left to women to care for, making them an ideal source of income for women. However, the challenge in both countries is that local breeds do not produce sufficient milk or meat, which limits both the income generation potential and the contribution they can make to household nutrition. As a result, goats are not seen as an important source of income or nutrition, but if key issues can be addressed this can be changed.

Key challenges to be addressed include availability of fodder (particularly in the dry season). Currently it is not common practice for pastoralists to grow and store fodder during the wet season. Secondly, access to breeding services is problematic due to the distant location of the project sites. As a result, introducing improved breeds of goats is currently impossible. Finally, a lack of capacity and access to veterinary services means that livestock mortality can be high.

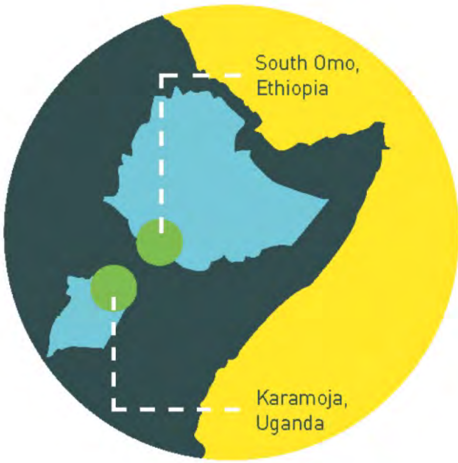


Photo: Farm Africa / Esther Ruth Mbabazi

Revolving goat scheme

To address these challenges, in 2018 Farm Africa was proud to launch the Livestock for Livelihoods project with support from two local partners, Africa Innovations Institute (AFRII) and Mothers and Children Multi-Sectoral Development Organization (MCMDO). The project, which will run until 2022 with funding from the UK government's UK Aid Direct programme, has established a 7,200 woman-strong revolving goat scheme.

So far, each woman has received two goats from Farm Africa. Over time, these women will then gift two of the goats' offspring to other women within the livestock group.

Improved goat breeds

In order to increase access to improved goat breeds with high milk production potential, Farm Africa conducted a breed assessment in both countries to identify a suitable dairy goat breed that could be cross-bred with the local goats and could adapt well in the harsh climates in the pastoral areas. Findings from the assessments indicated that the most common dairy goat breeds currently in the pastoralist zones are exotic varieties with low production capacity both in terms of meat and milk production.

As a result, cross breeds with 50-75% exotic genes (namely Toggenburg in Uganda and Boer bucks in Ethiopia) are being procured from accredited breeders and will be supplied to the livestock groups. Through the supply of these bucks Farm Africa is establishing community-run buck rearing stations alongside the livestock groups where goat owners can bring their local does to cross-breed.

Animal health

To support the health of the livestock, Farm Africa has trained existing Community Animal Health Workers (CAHWs) and local government staff to enhance their practical and technical goat husbandry skills. Farm Africa then supported CAHWS to deliver practical training to the livestock groups on how to control disease, manage inbreeding, construct shelters, castrate and feed their goats (for increased kidding rates and milk production).

After the training, communities stated they were convinced of the benefits of supplementing their existing goat feed by planting forage and had a clear understanding of the importance of goat shelters for disease control. Farm Africa will continue to support them to put their knowledge into action over the remaining period of the project. A key focus for the remaining years of the project will be working with the local partners to help households generate increased incomes and improve their diets.

"When I have increased the size of my herd, I will have enough milk for my children and I can sell what is left. When I sell my fattened goats I will use half the money to buy food (crops) and the other half to buy more goats to fatten." Hailo, Ethiopia.

This project is funded with UK aid from the UK government.

UKaid from the British people

A HOLISTIC APPROACH TO BUILDING RESILIENCE

Our Market Approaches to Resilience (MAR) project has made rangeland-dependent agro-pastoralists better able to cope with natural shocks such as drought in the Afar, Somali and SNNP regional states of Ethiopia.

Lowland Ethiopians are some of the most climate vulnerable people in the world, relying primarily on rain-fed livestock and agricultural production as a source of income in the face of frequent and unpredictable droughts and floods. The little weather information available to communities is often not reliable due to the very localised nature of the rainfall and the generalised nature of forecasts. As a result, local governments have limited skills and capability to plan and respond to climate shocks. Due to the remote locations, there is also limited access to financial services, which is a critical factor in helping households diversify income streams in the face of climate shocks.

Few people are engaged in climate-smart agricultural practices, and communal systems to manage natural resources such as forests and rangelands suffer from the 'tragedy of the commons' as natural resources are treated as a common good. All of this combined exacerbates vulnerability to climate shocks for agro-pastoralists and pastoralists alike. The traditional migration to urban centres, which might relieve stress on rangelands, is hampered as few employment opportunities exist for rural-migrants.

Farm Africa's MAR project has taken a "systems" approach that aims to bring about transformative changes in the ability of people in lowland Ethiopia to deal with climate shocks. The project, which is part of the £140m Building Resilience and Adaptation to Climate Extremes and Disaster (BRACED) programme funded by UK aid from the UK government, simultaneously addresses multiple drivers of climate vulnerability.

Over the first phase of the project, which ran from 2015 to 2018:

Savings and asset building have improved, with increased access to financial services playing a vital role. We've helped 6,284 people set up 327 Village Savings and Loan Associations (VSLAs), which issue loans to finance the start-up of businesses such as petty trading, making and selling local drinks and animal fattening for sale. More than 4,200 people took out loans through the VSLAs and Microfinance Institutions, averaging £112 per household. Using conservative assumptions, we estimate the benefits of income generated from the loans to be nearly five times the costs of setting up the VSLAs. Participation in VSLAs has been particularly valued by women, who appreciate their gains in autonomy.

Farm Africa de-risked loans to pastoralists and agro-pastoralists by guaranteeing 80% of the loans that MFIs provided to individuals. As a result, six MFIs were supported through this project to provide loans to 3,612 individuals. Repayment of these loans was used as a revolving fund to given loans to further beneficiaries.

Livestock insurance: For the first time pastoralists were able to access livestock indemnity insurance. Although very nascent in its implementation, MAR is helping de-risk the insurance market for potential business entrants by testing the business case of providing insurance to pastoralists.

Project participants have diversified their incomes by undertaking new green jobs in urban areas, adopting new farming practices, such as vegetable farming and bee-keeping, and investing in new income-generating sources.

Food supply was increased for a third of project participants through access to VSLA loans during emergencies, improved natural resource management practices and investments in livestock and farming practices.

Livelihoods were made more climate resilient through improved natural resource management practices, which regenerated depleted grazing lands and allowed trees and vegetation to flourish again, increasing the availability of food for livestock. Radio broadcasts of accurate information from 25 newly installed digital weather stations and advice from 224 village Early Warning and Environmental Committees means farmers are better able to anticipate, prepare and respond to shocks. For example, with this information they are better able to make decisions on issues such as cattle destocking and water conservation.

Income generated from the use of financial services, improved farming practices and the challenge fund has helped people pay for other costs like health care and school fees.

Most of these outcomes relied on multiple interventions, highlighting the benefit of taking a holistic approach to building climate resilience.

Medina, pictured below, whose family used to be dependent on pastoralism, used a 2,500 Birr loan from her VSLA to build a shop selling food items such as sugar, macaroni and pasta. "In the past, during the dry season we used to trek to Awrah Woreda, hundreds of kilometres away. We stayed there as long as there was pasture for the livestock. But from now on, no more migration!"

This project is funded with UK aid from the UK government.

PHOTOS: FARM AFRICA / ESTHER MBABAZI

TRANSFORMING KENYA'S FISH FARMING SECTOR

Demand for fish in Kenya outstrips supply, yet the potential of the fish farming sector is being held back. Farm Africa is working to create jobs and bolster food security and nutrition by helping the Kenyan fish farming industry become competitive, offering support along the value chain from input suppliers to producers and sellers. Kenya is facing a declining supply of wild caught fish. Farmers rearing fish in ponds have the potential to increase production to reduce the current supply gap of 50,000 metric tonnes of fish a year, but are struggling to make a profit due to a lack of access to high quality inputs, technical know-how and investment.

Launched in 2016, Farm Africa's four-year Kenya Market-led Aquaculture Programme (KMAP) is helping boost the fish farming industry by improving productivity; enhancing trade between suppliers, fish farmers and buyers; and developing an enabling environment.

Enhancing sustainable aquaculture

KMAP has cast a wide net and aims to increase the incomes of 1,100 households and provide a sustainable source of fish to over a million consumers by the end of 2019. The project captures not only experienced fish farmers but also aquaculture novices.

Evidence-based approach

Optimising the use of expensive inputs, such as fish feed and fingerlings (young fish), is critical to the success of independent fish farming businesses. Farm Africa and WorldFish's 'feed versus strain' trials, undertaken from July 2017 to February 2018, revealed that releasing larger fingerlings, weighing five grams or more, into ponds, and using pelleted feeds rather than mash reduced farmers' expenditure and sped up production. With fish feed accounting for close to two thirds of production costs of the farmed fish, this knowledge could make the crucial difference between making a profit or loss for many fish farmers.

The results also showed that fingerlings produced and farmed in the same geographic area are more productive. From the project's inception, four hatcheries supported by Farm Africa have increased fingerling production from 480,000 to 8.2 million a year. Based on the outcomes of the trials, we have also started to support two nurseries, farms that grow fry up to five-gram fingerlings, to help increase the available supply of larger fingerlings to fish farmers.

"We have plenty of good fresh water. People tell us this fish is so great, so sweet. They are surprised it is farmed fish but we naturally have everything we need for great fish production. Thanks to Farm Africa we have received lots of technical support and advice on which companies to get the best feeds from. This has enabled us to thrive. They support us a lot."

Emmanuel Bukati, Vihiga, western Kenya (photo above).

High quality training

We offer technical training in aquaculture and business development, as well as workshops on demonstration farms to help fish farmers develop the skills needed to ensure the long-term viability of their ponds. We emphasise the importance of marketing and business skills, particularly with regard to keeping accurate records of inputs and yield in order to monitor the business success.

Outreach programmes such as peer-to-peer knowledge exchange and e-learning have reached 7,600 people to date. Farm Africa's fish farming training website offers detailed guidance on pond construction, pond stocking, fish health management, harvesting and transportation to market.

Business acumen

We help fish farmers form collectives to sell their fish in bulk, providing them with the leverage to sell at higher prices, while staggering their production cycles with other groups to ensure a continuous supply of fish is available for sale. Enterprise awareness extends to demonstrating lucrative value addition practices, such as selling fried and processed fish as well as raw fish. The value of tilapia, which accounts for three quarters of freshwater fish consumption, can increase up to 80% through value addition. Profitability amongst the best performing farmers more than doubled to 77% in the year to 2018.

Protecting the environment

KMAP has developed a framework for sustainable aquaculture, which has been shared with the government. Training for farmers encompasses the importance of disease prevention, essential with shared water resources, as well as efficient water management. Attention is also paid to water quality and quality of inputs, which can mitigate environmental impacts.

This project is funded by the Embassy of the Kingdom of the Netherlands in Nairobi.

Kingdom of the Netherlands

PHOTOS: FARM AFRICA / HILARY DUFF

SUCCESS WITH SESAME IN ARID TANZANIA

Turning to sesame production has proven profitable for farmers working with Farm Africa in northern Tanzania. Higher crop yields, greater market accessibility and more equality are all playing their part in improving the health, wealth and food security of local communities.

Farming traditional crops such as maize is less prosperous than it once had been to those in Tanzania's Manyoni, Bahi and Babati districts. Adapting to the more arid climate has called for changing agricultural practices and switching to crops more tolerant of the increasingly parched landscape.

Farm Africa's Sesame Value Chain project in Tanzania, funded by Comic Relief, has encouraged farmers to invest in a more sustainable future by growing and selling high-quality sesame, a drought-tolerant crop that is in high demand due its many uses in food, cosmetics and pharmaceuticals.

The average incomes families earnt from selling sesame increased by 44% over the life cycle of the project, from Tsh 685,160 (c £229) to Tsh 984,244 (c £329) per year. Close to 85% of farmers have re-invested part of their additional income into expanding their production.

Increasing productivity

We are proud to have pushed up the adoption rates of good agricultural practices from 5% to 83% amongst the 11,117 smallholder farmers we worked with. Their seasonal output increased by 41% from an average of 442kg of sesame per farmer to 623kg, while productivity, measured in kilograms of sesame produced per acre, increased by 120% over the project's lifetime.

A smartphone-based agricultural training app, developed harnessing the expertise of local partners INADES-Formation and COSITA, was instrumental to the project's success. Smartphones pre-loaded with the apps were made available on credit to lead trainers selected from the farmers, who paid off the loan by training others in their community.

Increasing market access

Farm Africa promoted the benefits of collective bargaining in building stronger links to market. We trained a network of 102 community entrepreneurs who aggregated and sold sesame grown by the farmers, carefully storing produce in 43 warehouses. They helped improve logistics, increase the flow of relevant market information and develop mutually beneficial business relationships among actors in the sesame value chain. The model provided a major departure from traditional marketing and is gradually increasing transparency in the market environment.

Improved policies
Farm Africa delivered training on the importance of using standardised national weights and measures, and initiated work to draft local bylaws enforcing their use.

We also worked to increase access to quality declared seeds by enabling 55 farmers to dedicate two acres of their land to high quality seed production and obtain certification for their seeds. The use of improved seeds, which accounted for 91% of those planted, is a key factor to increasing sesame yields.

Empowering women and young people
A focus on equality was core to the project and we were proud to reach 5,474 women and 5,821 young people. We trained community-based gender promoters to improve women's confidence and ability to participate in sesame production and marketing. Women's financial empowerment was boosted through increased participation in village savings and loan associations (VSLAs). The proportion of young people profiting from sesame production saw a significant rise from 35% to 97%, while that figure rose from 7% to 95% for women, catalysing a drop in the sesame-related income gap between women and men from 28% to 14%.

As well as learning how to plant and harvest sesame, Clara, pictured left, from the Babati District of Tanzania, learnt how to add value to it by turning it into products to sell. She now runs a successful enterprise and her income has more than doubled.

"Year to year, Farm Africa changed my life. Before, I could not pay school and hospital bills. Because the price of maize was low, we had to sell lots of it, and it still wasn't enough.

"I make composite flour and nutritious flour, I also make snacks and a sesame drink that is like coffee. By making other products out of the sesame, I can earn much more than selling the sesame seeds alone."

This project is funded by Comic Relief.

FUNDED BY COMIC RELIEF

CHEFS FOR CHANGE

In 2018, three of the world's best chefs, Joan Roca, Eneko Atxa and Gaggan Anand, joined forces with Farm Africa and TechnoServe to launch Chefs for Change, a movement that bridges the gap between two very different worlds: high-end cuisine and international development.

Food is something to be celebrated. Food is essential to life. Food brings people together, breaks down barriers and develops relationships. Food is a story.

Food's journey from farm to plate influences everything from the air we breathe to the landscapes we inhabit.

The majority of the world's food is grown on small-scale family farms and the world's best chefs count many small-scale producers as their most trusted suppliers. However, the potential of millions of small-scale food producers around the world is thwarted by poverty, environmental degradation, climate change and lack of access to markets.

Founded by leading chefs Joan Roca, Gaggan Anand, Eneko Atxa and the NGOs Farm Africa and TechnoServe at the World's 50 Best Restaurants Awards in Bilbao in June 2018, Chefs for Change is a movement that bridges the gap between two very different worlds: high-end cuisine and international development.

The world's best chefs and the planet's most remote rural communities both rely on one vital ingredient: farming. Both know that food producers can only thrive if they exist within a sustainable agricultural model that is financially viable, increases soil fertility and manages water and waste.

Chefs for Change focuses on the importance of sustainable agriculture to the achievement of the UN's 17 Sustainable Development Goals (SDGs), which are a universal call to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

The photo above shows chef Gaggan Anand meeting farmers and Farm Africa staff in Tanzania.

CHEFS FOR CHANGE

The ambassador chefs are paired with high impact agriculture development programmes across Africa, Asia and Latin America.

Chefs for Change will follow the journeys of chefs as they travel out of the kitchens and onto farms, and share the stories of the small-scale producers they meet.

As we go to print in June 2019, Chefs for Change ambassador chefs Gaggan Anand, Andoni Luis Aduriz, Luke Dale Roberts and Kyle and Katina Connaughton have just returned from visits to eastern Africa and Peru to explore the challenges facing struggling small-scale food producers.

Gaggan Anand, chef at Gaggan, named as No 2 in Asia's 50 Best Restaurants, and Andoni Luis Aduriz, chef at Mugaritz in northern Spain, No 9 on the World's 50 Best Restaurants list, met smallholder farmers working with Farm Africa in Tanzania's Babati District. Luke Dale Roberts, chef at The Test Kitchen in Cape Town, South Africa, named as Africa's top restaurant, travelled to Kenya's Kisumu District to meet fish farmers taking part in Farm Africa's Kenya Market Led Aquaculture Project (KMAP).

Husband and wife Kyle and Katina Connaughton of SingleThread in Healdsburg, USA, winners of the 2018 Miele One to Watch Award, went to Peru to meet coffee and cocoa farmers working with the American NGO TechnoServe.

Their stories will be shared by Farm Africa, TechnoServe and at the World's 50 Best Restaurants awards ceremony, at which Farm Africa is the official charity.

Find out more about the Chefs for Change movement at: www.chefsforchange.org

Photo: The World's 50 Best Restaurants

Performance against objectives

To aid our planning we have broken down the strategic goals into a set of annual objectives. These objectives are more specific and time-bound than strategic goals. The table below sets out how we performed against our key goals for 2018.

Strategic objective	Annual goal	Outcome
Achieving impact at scale	Small changes are not enough. That means scaling up. During 2018 we will reach more than 3 million people for the first time.	Our projects reached 2.6 million people. This was slightly below the 3 million target due to minor delays in the launch of planned new projects which will get under way in 2019.
	We aim to sign grants and contracts with a total value of £25 million during 2018.	We signed grants with a total value of £19 million during 2018. In addition to this, as the year ended we were in the final stages of agreeing on a new five-year grant from the EU worth €10million, our largest ever grant (signed in April 2019).
	We will plan for geographical expansion into at least one new country.	We completed a consultancy project in DRC in 2018. Following on from this we secured a new grant with Virunga National Park to support coffee co-operatives in eastern DRC, from April 2019.
Technical excellence	We will develop a knowledge hub which combines our knowledge of agriculture, landscapes (soil, water and climate) and markets within three value chains.	We have rolled out the knowledge hub in value chains such as sorghum and fish as well as landscapes including soil and climate analyses for Kenya, Tanzania and Uganda.
	We will expand our network of sector specialist consultants in order to access the highest level of expertise to support our programme delivery.	We have compiled a database of sector specialist consultants which we draw on to augment our in-house expertise.
Deepen our partnerships with the private sector	We will partner with at least one private sector organisation to integrate their supply chain and development and sustainability work within eastern Africa.	Through our Growing Futures partnership with Aldi UK in Kenya, farmers supplied green beans to Aldi for sale in select UK supermarkets.
	We will bid for and aim to secure one commercial contract to deliver a technical assistance agricultural support programme within eastern Africa.	We are pre-selected partners on two DFID Frameworks with four leading private sector suppliers. Going forward we expect to bid on a number of relevant call-down contracts.
Develop our digital strategy	We will continue our digital transformation project to ensure digital is integrated into all aspects of our work.	Through the digital transformation project, we are exploring new ways of reaching audiences online that until now may not be aware of our work.
Income and fundraising	We will raise £2.0 million in unrestricted funding.	We raised £2.1million in unrestricted fundraising, thanks again to the generosity of our supporters.
	We will deepen our partnership with the World's 50 Best Restaurants to promote the links between food and development.	In association with the World's 50 Best Restaurants, we launched the Chefs for Change movement in June 2018, which sees some of the world's best chefs take up an ambassadorial role for Farm Africa projects.
A sustainable financial and organisational model	We will produce and begin to implement a three-year growth plan (covering the period 2018 – 2020).	We agreed a three-year growth plan in May 2018 based around increasing project income to £20 million pa and fundraising income towards £2.4 million pa, and investing more in our programme delivery and fundraising capacity.
	We will ensure best practice in our policies and processes around safeguarding.	We have implemented new safeguarding policies. All staff have signed up to a new Code of Conduct setting out expected standards of behaviour.
Innovation	We will look to undertake a project exploring the impact of child labour and modern slavery within agricultural value chains and identifying what can be done to tackle this.	We submitted a proposal for a project centred on identifying agriculture value chains at particular risk of modern slavery but sadly were not successful.

2019 objectives

The table below sets out our key goals for 2019.

Strategic objective	Annual goal
Achieving impact at scale	In 2019 we will continue to reach 2.6 million people, and our overall ambition remains to reach 3 million. We plan to sign grants and contracts with a total value of £20 million during 2019. We will continue our expansion in to new regions where we have not previously worked, including at least one new country (our sixth).
Technical excellence	In 2019 we will scale up our proven 'whole landscape' approach to agricultural development and natural resource management developed under the original SHARE project, into a larger project benefiting more communities across Ethiopia. We will increase our work focusing on improving women's economic empowerment in key crops such as coffee. We will launch at least one project in an area affected by complex emergencies, working alongside refugees and their host communities. We will begin at least one project with a focus on the provision of business development services to small and medium-sized enterprises in the agriculture sector.
Deepen our partnerships with the private sector	We will deepen our relationships with the food industry, developing at least one partnership where Farm Africa's technical expertise and interventions secure and/or strengthen a corporate partner's supply chain and so deliver commercial benefit. We will take a strategic approach to brand partnerships and increase our portfolio of on-pack promotions, thereby supporting the organisational aim of reaching new audiences and increasing Farm Africa's brand awareness.
Develop our digital strategy	We will grow our online support, delivering an online fundraising product which will engage with an audience new to Farm Africa, promoting donations and engagement with our cause. This fundraising product will also grow our email subscribers by 20%. We will ensure that all fundraising activity has an online presence, where appropriate, in order to diversify our existing donor base.
Income and fundraising	We will aim to raise at least £200,000 from our 'Coffee is Life' UK Aid Match appeal to fund a new project supporting marginalised women coffee growers in Uganda.
A sustainable financial and organisational model	We will aim to balance our unrestricted income and costs, maintaining unrestricted reserves at their current level and providing a secure financial platform for future growth.
Innovation	We will build on the positive impact of our forestry projects by helping local communities earn income from selling carbon credits.

Financial report

In this section, we set out Farm Africa's financial performance in 2018 and review its position at the end of the year. This year we pay particular attention to the impact of Sidai, our Kenyan social enterprise subsidiary, and why it is important to consider Sidai separately from the overall financial position of the charity. We also explain our policy on holding reserves, and why Farm Africa remains a 'going concern', on a secure financial footing for the future.

Financial performance

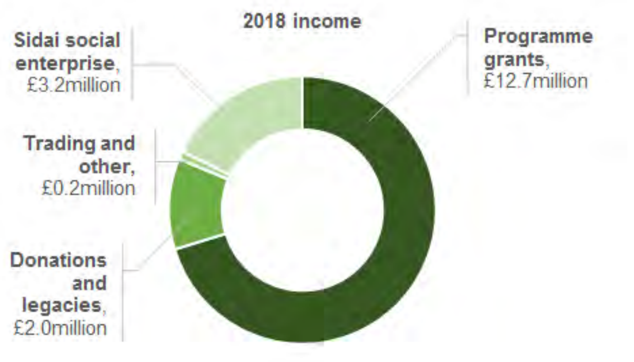
Income

Farm Africa receives income principally from four sources:

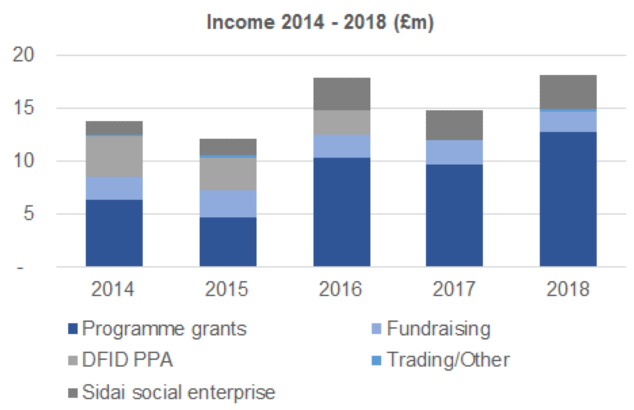
- Grants from governments, institutions and other major donors to fund specific projects (restricted funding);
- Corporate sponsorship income via our trading subsidiary Farm Africa Trading Limited (unrestricted funding);
- Donations, legacies, and other fundraising activities (a combination of restricted and unrestricted funding);
- Income and grants received by Sidai, our Kenyan social enterprise subsidiary company (a combination of restricted and unrestricted funding).

Total income in 2018, including Sidai, increased to £18.1 million (2017: £14.7 million). This was due mainly to an increase in the value of programme grants received from donors. Programme grants increased from £9.7million in 2017 to £12.7million in 2018. This included income on several new projects including *Livestock for Livelihoods*, a four-year DFID Aid Direct-funded project in Ethiopia and Uganda, and *Improving Rural Livelihoods, Empowering Communities and Partners*, also in Ethiopia, with funding for four years from the Swedish International Development Co-operation Agency (SIDA).

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



Total income of £18.1 million represents Farm Africa's highest ever annual income. The following chart shows the trend in the level of income over the last five years. This shows that the long-term trend during that period is an increase in income, driven in particular by programme grants. This has offset the ending of the DFID Programme Partnership Arrangement (PPA) in 2016.



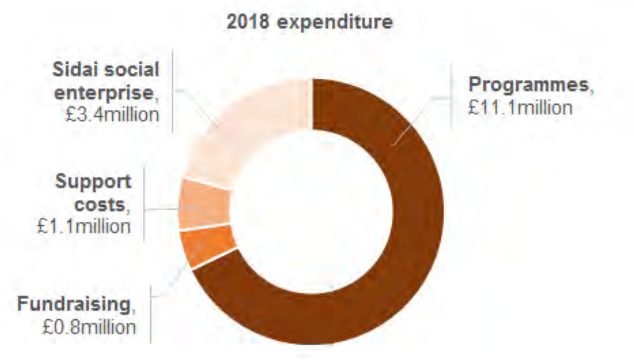
Expenditure

Farm Africa's expenditure falls into four main categories:

- Costs of implementing our programmes on the ground in Africa;
- Fundraising costs;
- Support costs, including head office staff and governance;
- Costs incurred by Sidai in running its operations in Kenya.

Total expenditure in 2018 remained in line with the previous year, at £16.3 million (2017: £16.4 million). The amount spent on implementing programmes fell slightly, from £11.3 million to £11.1 million. Support costs and fundraising costs both increased marginally, to £1.1million (2017: £1.0million) and £0.8million (2017: £0.7million) respectively. Sidai's expenditure fell by £0.1 million to £3.4 million.

The chart below shows the breakdown of expenditure between the four 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.

Sidai

Before considering our overall financial results for 2018 and closing reserves it is important to explain the impact of Sidai, our Kenyan social enterprise, on these figures. Sidai's results are consolidated in full with those of the charity in our financial statements because Farm Africa owned a majority of the shares in Sidai throughout the year. Following Sidai's securing of a $2.25million investment from Devenish Nutrition, an agri-tech company headquartered in Northern Ireland, in April 2019 (described further below) this will no longer be the case going forward.

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

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

Sidai's business comprises two distinct elements: a programmatic arm funded by donors (restricted funding); and a commercial trading arm financed through sales of products and services (unrestricted funding).

In common with many developing social enterprises, Sidai has not yet achieved profitability in its commercial trading arm. By the end of 2018 it had accumulated trading losses of £1.55million. In the presentation of unrestricted reserves in the consolidated financial statements these trading losses are offset against the parent charity's unrestricted reserves.

However, it is important to note that Sidai's accumulated trading losses have no impact on the parent charity's financial position. Sidai's trading losses are funded primarily by debt finance from AHLCF. These debt agreements are between Sidai and AHLCF and Farm Africa is not a guarantor for Sidai. Furthermore, on 9 April 2019 Sidai secured a $2.25million equity investment from Devenish Nutrition. This injection of funding offsets Sidai's accumulated trading losses.

It also means that, as of 9 April 2019, Devenish became the largest shareholder in Sidai, with 42%. Farm Africa is now a minority shareholder with 24.5%, and the other shareholders are AHLCF (28.5%) and the Sidai CEO (5%). As Farm Africa no longer exercises control over Sidai it is not required to fully consolidate Sidai's financial results with effect from 9 April 2019.

Refer also to note 21 of the financial statements (Subsequent events).

Financial results and closing reserves

Farm Africa reported a surplus of £1.72 million for 2018 (2017: deficit £1.73 million). This is made up of a surplus on restricted funds of £2.60 million (2017: deficit £0.95 million) and a deficit on unrestricted funds of £0.88 million (2017: deficit £0.78 million), of which the largest element is Sidai. There are three distinct elements within the overall result:

- Restricted funds.

The level of restricted fund surplus or deficit fluctuates from year to year due to the differences in timings across financial years between the receipt of grant income and the corresponding project expenditure. In 2018 this figure is a surplus because we received funding in advance on a major new project (*Improving Rural Livelihoods, Empowering Communities and Partners*). Most of the expenditure on this project will not be incurred until 2019 or later. Under charity accounting rules, however, where there is evidence of entitlement, receipt is probable, and the amount can be measured reliably, and where there are no performance-related conditions, income is recognised in full on receipt. In other years timing differences may result in a restricted fund deficit for the same reason.

- Farm Africa unrestricted funds.

The unrestricted fund deficit for Farm Africa was £0.33million (2017: deficit £0.18million). This was below budget and was the result primarily of short-term delays in implementation of some of our larger, complex projects meaning that we re-charged a lower level of our organisational running costs to projects than we were expecting to.

- Sidai unrestricted funds.

This figure represents Sidai's trading losses, which were £0.56million in 2018 (2017: deficit £0.60million).

The table below analyses the overall 2018 unrestricted funds deficit between the portion relating to Farm Africa (the charity and trading subsidiary) and the portion relating to Sidai.

	Farm Africa (Charity & Trading Ltd) Unrestricted Funds £'000	Sidai Group Unrestricted Funds £'000	Total Unrestricted Funds £'000
Income from			
Donations and Legacies	1,993	-	1,993
Charitable activities			
Social enterprise trading income		1,886	1,886
Other trading activities	150		150
Investment income	7		7
Other income	17		17
Total income	**2,167**	**1,886**	**4,053**
Expenditure on			
Raising funds	869		869
Charitable activities			
Social enterprise		2,446	2,446
Agriculture	524		524
Business	779		779
Environment	320		320
Total expenditure on charitable activities	1,623	2,446	4,069
Total expenditure	**2,492**	**2,446**	**4,938**
Income/(expenditure) for the year before minority interest	**(325)**	**(560)**	**(885)**

As at 31 December 2018 total reserves were £6.48 million (2017: £4.62 million). This is made up of the following:

- Restricted reserves of £6.46million (2017: £3.65 million);
- Farm Africa unrestricted reserves (comprising the charity Farm Africa Limited, and trading subsidiary Farm

Africa Trading Limited) of £1.56 million (2017: £1.89 million); and

- A deficit on Sidai unrestricted reserves of £1.55million (2017: deficit of £0.92 million).

In 2016 we designated £0.35 million of unrestricted reserves to facilitate the transition of Farm Africa's unrestricted funding following the ending of the DFID Programme Partnership Arrangements. This has now been fully utilised: £0.18 million was utilised in 2017 and the remaining £0.17 million in 2018.

We also designate Sidai's unrestricted reserves because Sidai operates as a stand-alone social enterprise and its unrestricted reserves deficit is funded by debt finance with no recourse to the parent charity (as described above).

The unrestricted reserves of the parent charity Farm Africa of £1.56 million compares to our target for unrestricted reserves of £1.3 million. The process by which the reserves target is set is explained in the section below, "Reserves policy".

The level of unrestricted reserves has decreased since the previous year to a level closer to the unrestricted reserves target. However, the Trustees note that this still provides headroom of £0.26 million above the target. Furthermore, with the signing of several large programme grants in 2018 and early 2019 it is expected that the charity will be able to re-charge a greater proportion of its running costs to restricted funds in 2019.

Overall, therefore, the Trustees believe that Farm Africa continues to be in a solid financial position, with sufficient reserves to manage risk.

Reserves policy

The Board of Trustees has determined that Farm Africa needs unrestricted reserves for the following purposes:

- To provide working capital and manage the seasonality of income, for the effective running of the organisation;
- To protect against unrestricted income fluctuations;
- To protect against unforeseen project expenditure due to working in inherently risky situations and to manage foreign exchange volatility; and
- To enable Farm Africa to invest in unforeseen funding and growth opportunities should it choose to do so.

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

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

This methodology translated to an unrestricted reserves target of £1.3 million at 31 December 2018. This is the same level as the previous year.

Going concern

We have set out above a review of Farm Africa's financial performance and reserves position.

With regard to unrestricted reserves it is important to understand the impact of Sidai's unrestricted funds deficit in the consolidated unrestricted reserves position. As explained above, the consolidated unrestricted reserves at 31 December 2018 are £17,000 which comprises unrestricted reserves for the parent charity and trading subsidiary of £1.56million, offset by a deficit on unrestricted reserves in Sidai of £1.55million.

We consider that Sidai's unrestricted reserves deficit does not have any implications for Farm Africa as a going concern because:

- Sidai's deficit is funded by debt finance, which is not guaranteed by Farm Africa, and Farm Africa is under no obligation to fund Sidai's deficit from its own unrestricted funds; and
- The $2.25million investment of Devenish Nutrition in April 2019 offsets Sidai's unrestricted reserves deficit. It also means that Farm Africa is no longer the parent company of Sidai and will not include Sidai's unrestricted reserves deficit in its unrestricted reserves from next year.

Further assurance is taken from the fact that Farm Africa held £6.1million cash at 31 December 2018 (excluding £1.1million cash held by Sidai), and based on latest forecasts will have sufficient cash to meet all future obligations as they fall due for at least the next 12 months (which is the standard time period over which trustees are required to assess whether a charity is a going concern).

Taking this into account, we believe that Farm Africa has adequate financial resources to continue in operational existence for the foreseeable future. We believe that there are no material uncertainties that call in to doubt the charity's ability to continue to operate. The accounts have therefore been prepared on the basis that the charity is a going concern.

Structure, governance and management

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

Statement of Trustees' responsibilities

The trustees (who are also the directors for the purposes for company law) are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom accounting standards) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the trustees are aware, there is no relevant audit information of which the charitable company's auditor is unaware. The trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Governance and organisational structure

Farm Africa's officers and advisers are as shown on page 28 of this report.

Sir Michael Palin CBE and Sir Martin Wood OBE FRS DL both kindly agreed to continue as patron and president respectively of Farm Africa during 2019.

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 28.

Trustee recruitment is undertaken through a range of routes depending on the identified needs. For example, when seeking a trustee with audit experience, we have targeted advertising through selected accountancy firms. This is followed by an interview process with a panel of trustees and approval by the board. The trustees are then formally elected by the members at the next annual general meeting. New trustees receive a personalised induction, including briefings from the chair, chief executive and other senior management team members. They are encouraged to visit our project work when the opportunity arises. Trustees also receive ongoing training, either one-to-one or through briefings at board meetings and as and when specific training needs are identified.

The Finance, Risk and Audit Committee (FRAC) met regularly throughout 2018 initially under the chairmanship of John Shaw as Farm Africa's Treasurer, and from 5 July 2018 under the chairmanship of Nick Allen who was appointed Treasurer following the retirement of John Shaw. 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 2018 under the chairmanship of Professor Jonathan Kydd. PAC comprises at least two trustee members and external members from a wide range of disciplines. PAC has two objectives:

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

The nomination and remuneration committee also continued its work during the year. It is managed by Richard Macdonald and comprises no fewer than three trustees appointed by the board, with the chief executive and director of resources as non-voting members of the committee. The committee takes responsibility for identifying and proposing new board members and for their induction, support and development. It also approves salary increments for the senior management team and the annual cost of living increase for UK staff and makes a recommendation to the board on the salary of the chief executive.

We are supported by Farm Africa U.S.A Inc. which is a US non-profit 501(c)(3) organisation that promotes and improves agriculture, natural resource management and food production in an effort to alleviate hunger and poverty in Africa.

Charitable objects

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

This work is guided by our charitable objects:

- to relieve the poverty of farmers, agricultural workers and herders enabling them to improve the effective management of their natural resources,
- to promote the improvement of agriculture, horticulture, food production, storage and distribution and conduct research in these subjects. To publish the results of such research and to disseminate knowledge for the benefit of the public and to encourage skill and industry in husbandry,
- to promote the improvement of livestock and poultry and the prevention and eradication of disease therein, and
- to promote the education of the public in, and the furthering of, the interests of agriculture, horticulture, arboriculture, apiculture, animal husbandry and related industries.

We implement these objects through pursuing our organisational mission, values and strategy.

Public benefit statement

Charity trustees have a duty to report in the trustees' annual report on their charity's public benefit. They should demonstrate that:

- *The benefits generated by the activities of the charity are clear*. This report sets out in some detail the activities which Farm Africa has carried out in the year to further each of our strategic benefits;
- *The benefits generated relate to the objectives of the charity*. All activities undertaken are intended to further Farm Africa's charitable objectives; and
- *The people who receive support are entitled to do so according to criteria set out in the charity's objectives*. All Farm Africa projects are centred around rural African farmers (pastoralists, agro-pastoralists, smallholders and forest-dwellers), the target beneficiary group specified in our first charitable object.

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

Legal structure

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

Tax status

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

Auditor appointment

A resolution confirming the reappointment of Crowe U.K. LLP as auditors will be proposed at the Farm Africa annual general meeting on 9 July 2019.

Subsidiaries

During 2018, Farm Africa had two directly owned and active subsidiaries:

- Sidai Africa Limited, which acts as an investment holding company for Sidai Africa Kenya Limited, our veterinary franchise operation in Kenya, and
- Farm Africa Trading Limited, which enables us to receive sponsorship income from corporate partners in a tax efficient manner.

The detailed results for our active subsidiaries are shown in note 13. During 2018, Sidai Africa (Kenya) Limited, the wholly owned subsidiary of Sidai Africa Limited, made a loss for the year of £500,000 (2017: loss of £969,000). Over a number of years, Sidai has continued to invest in growth by building its brand, expanding its reach and developing own-branded products. As explained in the Financial report, in April 2019 it took the next step on this path when it secured a $2.25 million investment from leading agri-tech company Devenish Nutrition. The investment will enable Sidai to increase its geographical reach across Kenya and to increase its product range, giving more farmers access to good quality agricultural inputs and veterinary services.

Farm Africa Trading Limited made a profit for the year before gift aid of £39,000 (2017: loss of £22,000). Our corporate sponsorship income is variable as it is dependent on the number of high profile events in a particular year and thus results can be variable from one year to another.

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 the impact of each risk. The board receives a report regarding the status of those risks and the mitigating actions and controls that are in place.

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

i) Maintaining financial strength and sustainability

Whilst Farm Africa has a secure financial footing the long-term viability of our business model is dependent on our ability to continue to cover our operating costs through a combination of fundraising income and recovering operating costs against donor-funded projects. There are a number of risks to this model including unsustainably high levels of operating costs, loss of funds resulting from fraud, and a decline in the level of donations received or in the level of new projects secured.

We mitigate these risks through maintenance of a robust financial control environment founded on annual budgets with clear accountabilities, regular financial reporting, a framework of delegated financial authorities, and documented policies. All of these are subject to regular review by the trustees. A regular programme of internal audit provides additional support in considering the effectiveness of key controls. In accordance with our reserves policy, we also set a target level of unrestricted reserves, so that the organisation is more able to absorb the impact of financial losses. Finally, over the longer term our strategy is to continually explore new channels of fundraising income and to ensure that our programmatic expertise remains aligned to the interests of donors.

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

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

The political context in each of our countries of operation is also important. In particular, the level of NGO regulation in our countries of operation can become more burdensome and restrictive. We seek to manage the resulting risks by spreading our work over a number of countries and contexts and by sourcing funding from as wide a variety of funders as possible.

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

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

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

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

In addition to these three risk areas the board also recognises that uncertainty over Brexit gives rise to further risks. These range from foreign exchange losses in the event of currency volatility, to the potential impact on access to European Union (EU) funding. These risks are mitigated partly through existing controls such as our treasury policy, and partly through exploring options that would protect access to EU funds.

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

Grant-making policy

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

Partner selection is done on a grant-by-grant basis. The criteria for partner selection includes specialist expertise that will broaden Farm Africa's technical expertise (for example, the Frankfurt Zoological Society, which works alongside us on natural resource management projects in Ethiopia), geographical reach to enable more effective programme delivery (for example, Vredeseilanden in Uganda) and a complementary core competence.

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

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

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 £15-18 million, a track record of world-class technical expertise and delivery and around 200 staff internationally. This provides the organisational context in which to set our remuneration policy.

Farm Africa aims to pay around the median-level for a charity of our size; for this purpose we benchmark all salaries in the UK and internationally annually against sector-specific salary surveys and cross-reference them against local cost of living indices. This data is translated into salary scales for the UK and each operational country and approved by Farm Africa's senior team. All staff are paid in line with these salary scales.

The nomination and remuneration committee uses the benchmark data to review and fix annual senior salary increases. We believe that our senior salaries paid as a result of this process are a proper reflection of the skills, knowledge and experience required to run an organisation like ours. The bandings for senior staff remuneration are disclosed in Note 10.

Fundraising disclosure

In 2018, 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 2018 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

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

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

Self-assessment summary

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

Safeguarding

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

- Promoting good practice and work in a way that prevents harm, abuse and coercion occurring;
- Ensuring that any allegations of abuse or suspicions are investigated promptly and robustly. And where the allegation is proven it will be dealt with appropriately;
- Taking any action within our powers to stop abuse occurring and ensure the person who has experienced the abuse receives appropriate support; and
- Being 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.

Approved by the board of trustees of Farm Africa Limited on 10 June 2019

including, in their capacity as company directors, the strategic report contained therein, and signed on its behalf by

Richard Macdonald CBE, Chair

Reference and administrative details

Registered Charity Number

326901

Registered Company Number

01926828

Registered Office and Principal Office

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

Auditor

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

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Lawyers

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

PART TWO: INDEPENDENT AUDITOR'S REPORT

Photo: Farm Africa / Lisa Murray

FARM AFRICA

Independent Auditor's report to the members of Farm Africa

Opinion

We have audited the financial statements of Farm Africa Limited for the year ended 31 December 2018, which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2018 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report included within the Trustees' Report.

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

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

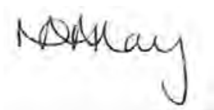
As explained more fully in the Trustees' Responsibilities statement set out on page 23, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



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

12th June 2019

PART THREE: FINANCIAL STATEMENTS

Photo: Farm Africa / Esther Ruth Mbabazi

FARM AFRICA

Consolidated Statement of Financial Activities

(incorporating Income and Expenditure Account) for the year ended 31 December 2018

	Note	**2018** Unrestricted funds	Restricted funds	Total funds	2017 Unrestricted funds	Restricted funds	Total funds
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Income from							
Donations and legacies	2	**1,993**	**-**	**1,993**	2,266	-	2,266
Charitable activities							
General		**-**	**12,688**	**12,688**	-	9,654	9,654
Social enterprise trading income		**1,886**	**1,320**	**3,206**	1,968	766	2,734
Total income from charitable activities	3	**1,886**	**14,008**	**15,894**	1,968	10,420	12,388
Other trading activities	4	**150**	**-**	**150**	41	-	41
Investments	4	**7**	**-**	**7**	1	-	1
Other income	4	**17**	**-**	**17**	20	-	20
Total income		**4,053**	**14,008**	**18,061**	4,296	10,420	14,716
Expenditure on							
Raising funds	6	**869**	**-**	**869**	766	-	766
Charitable activities							
Social enterprise		**2,446**	**946**	**3,392**	2,565	895	3,460
Agriculture		**524**	**3,379**	**3,903**	496	2,476	2,972
Business		**779**	**5,016**	**5,795**	736	5,222	5,958
Environment		**320**	**2,065**	**2,385**	509	2,781	3,290
Total expenditure on charitable activities	7	**4,069**	**11,406**	**15,475**	4,306	11,374	15,680
Total expenditure		**4,938**	**11,406**	**16,344**	5,072	11,374	16,446
Net income/(expenditure) for the year	5	**(885)**	**2,602**	**1,717**	(776)	(954)	(1,730)
(Surplus)/deficit attributable to the minority		**(119)**	**111**	**(8)**	98	19	117
(Surplus)/deficit attributable to the parent		**(766)**	**2,491**	**1,725**	(678)	(935)	(1,613)
Other recognised gains and losses							
Exchange differences on revaluation of subsidiary	18	**(183)**	**319**	**136**	-	64	64
Transfers between funds		**-**	**-**	**-**	-	-	-
Net movement on funds		**(949)**	**2,810**	**1,861**	(678)	(871)	(1,549)
Total funds brought forward		**966**	**3,651**	**4,617**	1,644	4,522	6,166
Total funds carried forward	18	**17**	**6,461**	**6,478**	966	3,651	4,617

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 37 to 53 form an integral part of these financial statements.

Consolidated and Charity Balance Sheets

As at 31 December 2018

	Note	**2018 Group £'000**	**2018 Charity £'000**	2017 Group £'000	2017 Charity £'000
Fixed assets					
Tangible assets	11	**545**	**21**	521	28
Intangible assets	12	**23**	**-**	28	-
Investments (social)	13	**-**	**1**	-	1
		568	**22**	549	29
Current assets					
Stock: goods for re-sale		**336**	**-**	329	-
Debtors	14	**1,385**	**1,422**	1,102	1,100
Cash at bank and in hand		**7,206**	**6,038**	5,276	4,475
Short term deposits		**-**	**-**	617	617
		8,927	**7,460**	7,324	6,192
Creditors					
Amounts falling due within one year	15	**(1,651)**	**(413)**	(2,075)	(984)
Net current assets		**7,276**	**7,047**	5,249	5,208
Total assets less current liabilities		**7,844**	**7,069**	5,798	5,237
Creditors: amounts falling due in more than one year	16	**(1,171)**	**-**	(1,016)	-
Provisions for liabilities and charges	17	**(203)**	**(203)**	(233)	(233)
Net assets		**6,470**	**6,866**	4,549	5,004
Net assets attributable to minority interest	19	**8**		68	
		6,478		4,617	
The funds of the Group and Charity					
Restricted funds	18	**6,461**	**5,306**	3,651	3,078
Unrestricted funds	18				
General funds		**1,563**	**1,560**	1,717	1,755
Designated funds (strategic investment)		**-**	**-**	171	171
Designated funds (Sidai)		**(1,546)**	**-**	(922)	-
Total funds	18	**6,478**	**6,866**	4,617	5,004

The surplus for the financial year dealt with in the financial statements of the parent company was £1,864,000.

Approved by the Board and authorised for issue on 10 June 2019 and signed on their behalf by:

Richard Macdonald
Chairman

Nick Allen
Treasurer

Registered Company No.: 01926828

The notes on pages 37 to 53 form an integral part of these financial statements.

Consolidated Statement of Cashflows

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities:			
Net cash (used in)/provided by operating activities	A	**1,186**	(595)
Cash flows from investing activities:			
Dividends, interest, and rent from investments		**7**	1
Disposal of tangible fixed assets and capital grants		**70**	29
Purchase of tangible fixed assets and capital grants		**(170)**	(275)
Net cash (used in) investing activities		**(93)**	(245)
Cash flows from financing activities:			
Cash inflows from new borrowing		**220**	277
Net cash provided by financing activities		**220**	277
Change in cash and cash equivalents in the reporting period		**1,313**	(563)
Cash and cash equivalents at the beginning of the reporting period		**5,893**	6,456
Cash and cash equivalents at the end of the reporting period		**7,206**	5,893

Notes to the Statement of Cash Flows

A. Reconciliation of cash flows from operating activities

	2018	2017
	£'000	£'000
Net income/(expenditure) for the reporting period (as per the Statement of Financial Activities)	**1,853**	(1,730)
Adjustments for:		
Depreciation	**150**	137
(Profit) on the disposal of fixed assets	**-**	(11)
(Increase)/Decrease in debtors	**(283)**	684
(Decrease)/Increase in creditors falling due within one year	**(489)**	248
(Decrease) in provisions	**(31)**	(45)
(Increase)/Decrease in stocks	**(7)**	123
Dividends, interest and rents from investments	**(7)**	(1)
Net cash (used in)/provided by operating activities	**1,186**	(595)

B. Analysis of cash and cash equivalents

	2018	2017
	£'000	£'000
Short term deposits held in the UK	**-**	617
Cash at bank and in hand in the UK and overseas	**7,206**	5,276
	7,206	5,893

Notes to the Consolidated Financial Statements

1. Accounting policies

The charity is a private limited company (registered number 1926828) that is incorporated and domiciled in the UK. The address of the registered office is 9th floor, Bastion House, 140 London Wall, London, EC2Y 5DN. The charity is a public benefit entity. More detail on how the trustees have satisfied themselves that Farm Africa has met the public benefit requirements is given in the trustees' report on pages 17 to 18.

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention and in accordance with the charities SORP (FRS102), applicable accounting standards and the Companies Act 2006. The financial statements have been prepared on a going concern basis as discussed in the trustees' report on page 22. There are no material uncertainties about the charity's ability to continue as a going concern.

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

No statement of financial activities is presented for the charitable company alone as the results of the subsidiary companies are separately identified within the group accounts and the charitable company is exempt from presenting such a statement under s408 Companies Act 2006. The net surplus of the charitable company was £1,864,000 (2017: net deficit £968,000).

Key areas of estimation uncertainty

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

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

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

Fund accounting

Funds held by the charitable company are:

- restricted funds – these are funds which are subject to specific conditions imposed by the donors or when funds are raised for particular restricted purposes,
- unrestricted funds: general – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees, and
- unrestricted funds: designated – these are funds which the trustees have designated for a particular use.

Income

Income, including donations, gifts and legacies, gifts in kind and grants are recognised where there is entitlement, there is probability of receipt and the amount is measurable.

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

Tax recovered from income received under gift aid is recognised when the related income is recognised and is allocated to the income category to which the income relates. Where income is received in advance of the point of recognition it is deferred.

Gifts in kind for use by the charity and donated services are included in the accounts at their approximate market value at the date of receipt. No amount has been included in the financial statements for services donated by volunteers.

When donors specify that donations and grants given to the charitable company must be used in future accounting periods, the income is deferred until those periods.

Income from other trading activities is recognised as it is earned, that is as the related goods or services are provided.

Investment and rental income are recognised on a receivable basis.

Expenditure

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

Expenditure on charitable activities is reported as a functional analysis of the work undertaken by Farm Africa, against our two strategic outcomes of building income and food security and natural resource management. Under these headings are included grants payable and costs of activities performed directly by the charitable company, together with associated support costs. These costs include salaries and associated employment costs including pensions and any termination payments required.

Grants payable to other institutions for development projects are included in the statement of financial activities when funds are transferred to these institutions on the basis that future funds are only payable upon receipt of satisfactory expenditure reports for all amounts previously advanced.

Expenditure on raising funds comprises salaries, direct expenditure and overhead costs of UK based staff who promote fundraising from all sources including institutional donors, trusts, companies and individuals.

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

Pension costs

The charitable company operates a defined contribution group personal pension plan for the benefit of its employees, and also makes payments to other defined contribution schemes for employees who are not members of the group scheme. Pension costs are recognised in the month in which the related payroll payments are made.

Foreign currencies

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

Transactions in foreign currencies are recognised at the rate of exchange at the date of the transaction or at an average exchange rate for the month. All non-sterling current assets and liabilities are translated into sterling at the exchange rate on the balance sheet date. All exchange differences are recognised through the statement of financial activities.

Operating leases

Rental payments under operating leases are charged as expenditure incurred evenly over the term of the lease. The benefit of any reverse premium received is also spread evenly over the term of the lease.

Fixed assets

Fixed assets used within specific projects and purchased from funds donated for those projects are not capitalised but are written off on acquisition as direct project expenditure. This policy is employed as ownership of the property does not always pass to Farm Africa upon project completion. The initial cost of fixed assets purchased within the last four years and presently employed in current projects is referred to in note 11.

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

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

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

Intangible fixed assets

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

Stock: goods for resale

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

Provisions

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

Financial instruments

Farm Africa has financial assets and liabilities of a kind that qualify as basic financial instruments. Financial assets comprise cash at bank and in hand, short term deposits, trade and other debtors. Financial liabilities include trade and other creditors and loans. Basic financial instruments are recognised at transaction value and subsequently measured at amortised cost. Details and carrying value of these financial assets and liabilities are given in notes 11 to 17.

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

2. Income from donations and legacies

	Unrestricted funds 2018 £'000	Restricted funds 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
General				
Committed giving	**509**	**-**	**509**	562
Appeals and donations	**679**	**-**	**679**	679
Legacies	**195**	**-**	**195**	506
Fundraising events	**309**	**-**	**309**	206
Corporate donations	**172**	**-**	**172**	143
Gifts in kind: donated services	**61**	**-**	**61**	93
	1,925	**-**	**1,925**	2,189
Grants				
Trusts and Foundations	**68**	**-**	**68**	77
	68	**-**	**68**	77
Total donations and legacies	**1,993**	**-**	**1,993**	2,266

3. Income from charitable activities

	Restricted funds 2018 £'000	Restricted funds 2017 £'000
Grants from government, institutional and other similar donors		
ACIDI/VOCA	200	-
Adeso	-	51
Agricultural Markets Development Trust	79	394
aBi Development Ltd	83	-
Ajahma Charitable Trust	60	60
Aldi	100	90
Amref	39	60
Barr Foundation	-	161
Big Lottery Fund	109	86
Bill and Melinda Gates Foundation	935	607
Comic Relief	337	310
Conservation International	89	92
European Union	196	161
Guernsey Overseas Aid Commission	-	29
ICRISAT	75	76
ILRI	147	93
Jersey Overseas Aid Commission	150	-
Mark Anthony Trust	25	25
MEDA	38	-
Medicor Foundation	94	93
Netherlands Embassy of Kenya	923	1,075
Norwegian Agency for Development Cooperation	264	-
Packard Foundation	-	133
Palladium	-	54
Red een Kind	1	126
Royal Norwegian Embassy	433	189
Slovak Aid	-	219
SOS Sahel	89	224
Swedish International Development Co-operation Agency	5,206	1,781
Technical Centre for Agricultural and Rural Co-operation	111	-
UK aid from the Department for International Development – Aid Direct	385	-
UK aid from the Department for International Development – Aid Match	57	-
UK aid from the Department for International Development – BRACED	1,762	2,856
UK aid from the Department for International Development – Building resilience and food-secure households in Tigray	-	66
UK aid from the Department for International Development – FoodTrade	1,824	1,202
Virunga Foundation	19	-
Waitrose Foundation	57	44
World Food Programme	76	-
Other international agencies and other donors	45	63
Total grants from government, institutional and other similar donors	**14,008**	10,420
Other social enterprise trading income	**1,886**	1,968
Total income from charitable activities	**15,894**	12,388

4. Other income

	Unrestricted funds 2018 £'000	Restricted funds 2018 £'000	Total funds 2018 £'000	Total funds 2017 £'000
Other trading activities				
Trading	**150**	**-**	**150**	41
Total other trading activities	**150**	**-**	**150**	41
Investment income				
Deposit interest	**7**	**-**	**7**	1
Total investment income	**7**	**-**	**7**	1
Other income				
Sub-lease of office space and other miscellaneous income	**17**	**-**	**17**	9
Profit on sale of assets	**-**	**-**	**-**	11
Total other income	**17**	**-**	**17**	20
Total	**174**	**-**	**174**	62

5. Net income for the year

This is stated after charging:	Total 2018 £'000	Total 2017 £'000
Depreciation and amortisation	**150**	137
Payments under operating leases	**78**	34
Auditor's remuneration for the annual external audit:		
Charitable company	**26**	25
Subsidiary companies	**15**	11

6. Expenditure on raising funds

	2018 £'000	2017 £'000
Donations and legacies		
Fundraising costs	**682**	614
Support costs allocated (note 9)	**61**	49
	743	663
Charitable activities		
Fundraising costs	**5**	15
Support costs allocated (note 9)	**-**	1
	5	16
Other trading activities		
Fundraising costs	**111**	81
Support costs allocated (note 9)	**10**	6
	121	87
Total	**869**	766

7. Expenditure on charitable activities

	Operational programmes	Grants payable	Support costs*	Total	Total
	2018	2018	2018	2018	2017
	£'000	£'000	£'000	£'000	£'000
		(note 8)	(note 9)		
Social enterprises	3,392	-	-	3,392	3,460
Agriculture	2,402	1,181	320	3,903	2,972
Business	3,195	2,125	475	5,795	5,958
Environment	1,293	896	196	2,385	3,290
Total	10,282	4,202	991	15,475	15,680

* It is not appropriate to split support costs between activities undertaken directly and grant making activities due to the method of operation of the programme support team.

8. Grants to partner organisations

	2018	2017
	£'000	£'000
Ethiopia projects		
SOS Sahel	365	88
PHE Ethiopia Consortium	52	85
International Water Management Institute	88	128
Frankfurt Zoological Society	158	186
Mercy Corps	941	1,330
Lion's Head Global Partners	-	72
Mothers and Children Multisectoral Development Organization	8	-
LTS International	78	74
Union of Ethiopian Women Charitable Association	514	127
Organization for Rehabilitation and Development in Amhara	419	-
Assosa Environmental Protection Association	32	-
Kenya projects		
BoP Innovation Centre	86	185
Centre for Development Innovation	20	22
Larive International B.V.	101	123
Stichting PUM	33	34
World Fish Centre	7	48
Tanzania projects		
Agrics	-	44
Cosita	38	67
Inades	60	142
Mviwata	8	9
Trufood	-	1
VredesEilanden Country Office (East Africa)	239	239
Rural Urban Development Initatives	162	168
Wellspring Development Capital Ltd	466	-
Sokoine University Graduate Entrepreneurs Co-operative	56	94
Uganda projects		
Katine	1	6
SORUDA	20	14
Kasese District Farmers Organization	1	-
SOSSPA	2	-
Africa Innovations Institute	38	-
Twin	11	-
North Eastern Chilli Producers Association	11	-
VredesEilanden Country Office (East Africa - Uganda)	187	265
	4,202	3,551

Grants were payable during the year to partners working on restricted projects. At year end there were no payments outstanding (2017: six payments totalling £575,000 outstanding to Mercy Corps, VredesEilanden Country Office (East Africa), PHE Ethiopia Consortium, International Water Management Institute, Lion's Head Global Partners and LTS International).

9. Analysis of support costs

	Mgmt. costs	Office costs	Finance & IT costs	HR costs	Gov. costs	Total	Total
	2018	2018	2018	2018	2018	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Charitable activities							
Agriculture	42	91	129	47	11	320	221
Business	63	135	191	69	17	475	445
Environment	26	55	79	29	7	196	245
	131	281	399	145	35	991	911
Expenditure on raising funds							
Donations and legacies	8	17	25	9	2	61	49
Charitable activities	-	-	-	-	-	-	1
Other trading activities	1	3	4	1	1	10	6
	9	20	29	10	3	71	56
	140	301	428	155	38	1,062	967

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

10. Employees

	2018 £'000	2017 £'000
Staff costs		
Wages and salaries (including life assurance)		
Overseas contracted staff	**4,199**	3,884
UK contracted staff	**1,441**	1,386
	5,640	5,270
Social security costs	**163**	142
Pension costs	**102**	79
	5,905	5,491

Wages and salaries includes £nil (2017: nil) of redundancy and termination payments which are paid out in accordance with our redundancy policy and the legal requirements of each country in which we work.

The key management personnel of the charitable company comprise the Chief Executive, the Director of Resources, the Director of External Relations, the Director of Programmes, the Director of Finance, and Country Directors. The total employee benefits paid to these individuals (including employer's pension and national insurance) was £726,000 (2017: £585,000).

	2018 No.	2017 No.
Employees with remuneration in the range of £60,001 to £70,000	**3**	3
Employees with remuneration in the range of £70,001 to £80,000	**1**	2
Employees with remuneration in the range of £80,001 to £90,000	**-**	-
Employees with remuneration in the range of £90,001 to £100,000	**1**	1
Employees with remuneration in the range of £100,001 to £110,000	**1**	-

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

	2018 No.	2017 No.
Overseas contracted staff		
Farm Africa	**166**	155
Sidai Kenya	**87**	94
UK contracted staff		
Fundraising and communications	**12**	13
Programmes support	**10**	6
Management and administration of charity	**10**	10
	285	278

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

One trustee was reimbursed £1,000 (two trustees in 2017: £3,000) in travel expenses incurred on behalf of the organisation. In addition, £9,000 travel costs were paid directly to suppliers (one trustee in 2017: £7,000) in respect of two non-UK based trustee travelling to board meetings in the UK. The cost incurred by the charity for the trustee indemnity insurance was £2,000 in 2018 (2017: £1,000).

Farm Africa makes contributions for its employees to various defined contribution schemes. The amount of contributions due to these schemes at the year ended 31 December 2018 was £3,000 (2017: £11,000).

11. Tangible fixed assets

Group

	Leasehold improvements £'000	Vehicles £'000	Machinery & equipment £'000	Computer equipment £'000	**Total £'000**
Cost					
At 1 January 2018	201	409	296	190	**1,096**
Exchange differences	9	29	19	6	**63**
Additions	9	4	101	14	**128**
Disposals	-	(1)	(9)	(60)	**(70)**
At 31 December 2018	219	441	407	150	**1,217**
Depreciation					
At 1 January 2018	(119)	(185)	(129)	(142)	**(575)**
Exchange differences	(3)	(13)	(6)	(3)	**(25)**
Disposals	-	-	9	60	**69**
Charge for the year	(27)	(58)	(33)	(23)	**(141)**
At 31 December 2018	(149)	(256)	(159)	(108)	**(672)**
Net book value					
At 31 December 2018	70	185	248	42	**545**
At 31 December 2017	81	224	167	49	**521**

Charity

	Leasehold improvements £'000	Vehicles £'000	Machinery & equipment £'000	Computer equipment £'000	**Total £'000**
Cost					
At 1 January 2018	82	7	42	127	**258**
Additions	-	-	-	8	**8**
Disposals	-	-	(9)	(60)	**(69)**
At 31 December 2018	82	7	33	75	**197**
Depreciation					
At 1 January 2018	(81)	(2)	(40)	(107)	**(230)**
Disposals	-	-	9	60	**69**
Charge for the year	(1)	(1)	-	(13)	**(15)**
At 31 December 2018	(82)	(3)	(31)	(60)	**(176)**
Net book value					
At 31 December 2018	-	4	2	15	**21**
At 31 December 2017	1	5	2	20	**28**

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 £503,000 (2017: £1,117,000). The accounting policy relating to fixed assets is referred to in note 1(i).

12. Intangible fixed assets

Group

	Software £'000
Cost	
At 1 January 2018	64
Exchange differences	5
Additions	2
At 31 December 2018	71
Depreciation	
At 1 January 2018	(36)
Exchange differences	(3)
Charge for the year	(9)
At 31 December 2018	(48)
Net book value	
At 31 December 2018	23
At 31 December 2017	28

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

13. Investments

	Investment in subsidiary undertakings £'000
Net book value	
At 1 January 2018	1
Increase / (decrease) in investment value	-
At 31 December 2018	1

Company	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Farm Africa Trading Limited (company number: 7398449)*	UK	100% owned by Farm Africa	Trading activities
Farm Africa Enterprises Limited (company number: 9359340)*	UK	100% owned by Farm Africa	Holding company
Sidai Africa Limited (formerly Farm Africa Enterprises Limited) (company number: 7401522)*	UK	84% owned by Farm Africa Enterprises Limited	Holding company
Farm Africa Intellectual Property Limited (company number: 7401279)*	UK	100% owned by Farm Africa	IP and registered trade marks
Sidai Africa (Kenya) Limited (formerly Sidai Africa Limited)**	Kenya	796,073 shares owned by Sidai Africa & 1 share owned by Farm Africa[1]	Provision of veterinary services

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

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

	Sidai Africa (Kenya) Limited		**Sidai Africa Limited**		**Farm Africa Trading Limited**	
	2018	2017	**2018**	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Total incoming resources	**2,832**	2,900	**100**	160	**150**	77
Total resources expended	**(3,332)**	(3,480)	**(162)**	(159)	**(111)**	(99)
Retained surplus / (deficit) for the year	**(500)**	(580)	**(62)**	1	**39**	(22)
Total assets	**2,145**	1,713	**1,206**	1,194	**153**	142
Total liabilities	**(2,457)**	(2,690)	**(325)**	(251)	**(148)**	(176)
	(312)	(977)	**881**	943	**5**	(34)

[1] Sidai Africa (Kenya) Limited is 100% owned by Sidai Africa Limited. Sidai Africa Limited is 84% owned by Farm Africa and 16% owned by the Adolf H. Lundin Charitable Foundation.

14. Debtors

	2018 Group £'000	2018 Charity £'000	2017 Group £'000	2017 Charity £'000
Amounts owed by subsidiary undertakings	**-**	**261**	-	252
Trade debtors	**135**	**83**	192	111
Other debtors	**194**	**72**	296	123
Prepayments	**79**	**79**	83	83
Accrued income – other	**184**	**134**	328	328
Accrued income – project grants	**793**	**793**	203	203
	1,385	**1,422**	1,102	1,100

15. Creditors: Amounts falling due within one year

	2018 Group £'000	2018 Charity £'000	2017 Group £'000	2017 Charity £'000
Trade creditors	**1,064**	**101**	658	13
Deferred income	**-**	**-**	176	-
Other creditors and accruals	**318**	**312**	397	390
Loan from Adolf H. Lundin Charitable Foundation	**195**	**-**	184	-
Loan from Global Partners	**65**	**-**	-	-
Grant obligations	**-**	**-**	575	575
Other tax and social security costs	**-**	**-**	23	6
Bank loan	**9**	**-**	62	-
	1,651	**413**	2,075	984

Charity and Group

	2018 £'000	2017 £'000
At 1 January	**575**	546
Grants paid to partners in settlement of obligations at year-end	**(575)**	(546)
New grant obligations	**-**	575
As at 31 December	**-**	575

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

	2018 Group £'000	**2018 Charity £'000**	2017 Group £'000	2017 Charity £'000
Loan from the Adolf H. Lundin Charitable Foundation to Sidai Africa (Kenya) Limited	**1,089**	**-**	1,016	-
Global Partners	**82**	**-**	-	-
	1,171	**-**	1,016	-

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

The second and third represent $180,000 and $260,000 loan facilities signed on 20 April 2016 and 13 July 2016 respectively. The repayment is required to be paid on a half yearly basis, with the first repayment instalment to be paid on the date which is six months following the drawdown end date. The loan accrues interest at a rate of 9% per annum.

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

17. Provisions for liabilities and charges

Charity and Group

	Severance £'000	Payment by results £'000	Legal actions £'000	South Sudan £'000	Dilaps £'000	Sidai mgt. fee £'000	**Total 2018 £'000**	Total 2017 £'000
At 1 January	72	90	22	34	15	-	**233**	278
Amounts released to the Statement of Financial Activities	-	(90)	(8)	(34)	-	-	**(132)**	(8)
Amounts charged to the Statement of Financial Activities	59	-	-	-	-	74	**133**	88
Amounts used during the year	(17)	-	(14)	-	-	-	**(31)**	(125)
As at 31 December	114	-	-	-	15	74	**203**	233

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.
- Sidai management fee provision relating to fees owed by Sidai Africa Ltd to Farm Africa Ltd for management services. Under the terms of Farm Africa's disposal of its majority stake in Sidai Africa, Farm Africa will recover a portion of the fees owed. The provision represents the remaining portion of the fees which Farm Africa does not expect to recover.

18. Movements in funds

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

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

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

As at 31 December 2016, we chose to designate £350,000 to smooth the transition in Farm Africa's unrestricted funds budget following the completion of the PPA funding period. We utilised £179,000 in 2017 and £171,000 in 2018 of this designated fund for certain costs incurred during the transition phase.

The designated funds set aside for Sidai Africa represent the net assets of the subsidiary within the consolidated financial statements less any restricted funds received specifically to fund Sidai's activities. As at 31 December 2018 this was a negative balance, meaning that Sidai's unrestricted funds were in deficit. In April 2019 Sidai secured an equity investment of $2.25million from Devenish Nutrition (see the Financial Review section of the Trustees' report for further details) which will offset the deficit.

The movements in funds in 2017 are presented below.

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

19. Minority interest

	Unrestricted funds	Restricted funds	Total funds
	£'000	£'000	£'000
At 1 January 2018	(147)	215	68
Movement in the year	266	(326)	(60)
At 31 December 2018	**119**	**(111)**	**8**

20. Net assets analysis (Group)

	Unrestricted funds	Restricted funds	Total funds
	£'000	£'000	£'000
Fund balances at 31 December 2018 are represented by:			
Tangible and intangible fixed assets	567	-	567
Net current assets	(550)	6,461	5,911
Total	17	6,461	6,478
Fund balances at 31 December 2017 are represented by:			
Tangible and intangible fixed assets	549	-	549
Net current assets	417	3,651	4,068
Total	966	3,651	4,617

21. Subsequent events: Disposal of controlling stake in Sidai Africa Limited

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

This is a non-adjusting subsequent event. Since Sidai continued to meet the FRS102 definition of a subsidiary throughout 2018 its financial results are fully consolidated in to the Farm Africa consolidated financial statements for 2018. However, following the change in share ownership Farm Africa no longer exercises control over Sidai with effect from 9 April 2019.

22. 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.

23. Commitments: Operating leases

At 31 December 2018 Farm Africa has the following commitments under non-cancellable operating leases:

	Equipment	Property	**Total 2018**	Total 2017
	£'000	£'000	**£'000**	£'000
In less than one year	13	138	**151**	111
Between one and five years	15	5	**20**	57
Later than five years	-	-	**-**	-
	28	143	**171**	168

24. Related party transactions

There were no related party transactions requiring disclosure other than transactions with subsidiaries (2017: none).

Farm Africa charged a service fee of £26,000 (2017: £26,000) and also paid costs totalling £9,000 (2017: £10,000) on behalf of Sidai Africa. At 31 December 2018, Sidai Africa owed £82,000 (2017: £62,000) to Farm Africa.

Farm Africa has historically paid a number of items on behalf of Sidai Africa (Kenya) and Sidai Africa (Kenya) on behalf of Farm Africa. At 31 December 2018 Sidai Africa (Kenya) owed Farm Africa £34,000 in respect of these items (2017: £26,000).

Farm Africa Limited charged a management fee of £22,000 (2017: £19,000) to Farm Africa Trading Limited. At 31 December 2018, Farm Africa Trading owed £145,000 (2017: £173,000) to Farm Africa Limited. Farm Africa Trading will make a donation of £nil (2017: £nil) to Farm Africa in 2018.

25. Parent company result

The parent company generated a surplus of £1,863,000 (2017: deficit £968,000).

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.

26. Pension costs

As at 31 December 2018, Farm Africa operated one defined contribution scheme in the UK, provided by Friends Life part of the Aviva Group. It also makes contributions into other individual employee pension schemes. Farm Africa paid contributions at a rate of 7% of employee salary during the accounting period.

The pension cost included in the Statement of Financial Activities for UK employees was £91,000 (2017: £79,000).

27. Legacies

There were no legacies (2017: £nil) notified to the charity that did not meet the recognition criteria, and therefore all legacies notified to the charity been accounted for within these financial statements.

28. Capital commitments

There were no capital commitments outstanding as at 31 December 2018 (2017: none).

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