END HUNGER »» GROW FARMING

FARM AFRICA

ANNUAL REVIEW

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

REGISTERED CHARITY NO: 326901

REGISTERED COMPANY NO: 01926828

CONTENTS

OFFICERS AND ADVISORS

CHIEF EXECUTIVE
Nigel Harris

REGISTERED OFFICE & PRINCIPAL OFFICE
9th Floor, Bastion House
140 London Wall
London EC2Y 5DN

AUDITORS
Crowe Clark Whitehill 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

UBS AG
London Branch
3 Finsbury Avenue
EC2M 2AN

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

REPORT FROM THE CHAIR

As the chair of Farm Africa, I am very pleased to present our annual review and consolidated financial statements for the year ended 31 December 2014.

It is my especial pleasure to be writing this report as Farm Africa celebrates 30 successful years of operation. I reflect on the vision of a prosperous rural Africa that drove Sir Michael Wood and David Campbell when they first established Farm Africa and find it hugely gratifying that Farm Africa is still driven by this same vision and values. There is no doubt that the organisation has grown significantly since that time but we have stayed true to our belief that small scale agriculture is the key to ending hunger and poverty in rural Africa and that with the right support, Africa can feed itself.

In 2014, Farm Africa reached 1.4 million people for the first time, testament to the enormous levels of commitment and ambition shown across the whole Farm Africa team. We are fortunate to have such professional and dedicated staff and I would like to take this opportunity of thanking everyone for their contribution.

Farm Africa's innovative approach and our focus on results has been rewarded with significant programme grants for two projects in Ethiopia. We are leading the way in exploring how market based tools can be employed to address economic, social and environmental challenges working with 300,000 people in the Ethiopian lowlands. Also in Ethiopia, in the beautiful Bale eco-region, we are researching the most effective approaches for local communities to manage their natural resources profitably into the future with a reduction in deforestation as well as improved water flow to lowland farmers. I was hugely impressed when I visited this project that will reach nearly 900,000 people directly and could impact up to 12 million people living downstream.

In our highly successful Tanzania sesame project, we have demonstrated that delivering agricultural training with ICT could allow us to reach three to five times as many farmers as the conventional farmer field schools approach. This has far-reaching implications for our work and that of other organisations. In Kenya, we are driving forward a cutting edge project (Maendeleo Agricultural Enterprise Fund) that will commit financial and skills investments to small-scale SMEs on the brink of expanding their businesses but unable to access funding from banks or equity investors. Taking these businesses to scale will have a massive and sustainable impact on smallholders and input suppliers, building business opportunities and profitability for entire communities.

These are exciting examples of the way that the theory of change outlined in our 2012 – 2015 strategy is being translated into tangible results. We set ourselves the challenge of shaping the learning from our most effective approaches into models that can be shared and replicated at scale by larger government and private sector players. In this way, we can ensure that our work has an exponential impact for smallholder farmers in eastern Africa.

However, Farm Africa would not be in a position to deliver this excellent work without the generous contribution of our thousands of supporters. I would like to thank everyone who has donated to Farm Africa, a good number of whom have funded us for the entire 30 years of our existence. I am proud of the contribution made by the food and hospitality industries who continue to show their commitment to ending hunger and poverty in Africa through the Food for Good campaign. Together, the industry has already raised a magnificent £1 million and in true Farm Africa style, has set a new challenging target of £5 million. To everyone who has sponsored us, baked cakes, run marathons and climbed mountains, my sincere thanks.

I would like to end by thanking my fellow trustees for their tireless support and particular thanks for John Shaw who very ably took on the Treasurer role this year, we all benefit from his wisdom. I would also like to welcome our new trustees, Colin Brereton, Serena Brown and John Reizenstein, who joined us this year.

I could not be more proud to lead such an excellent organisation and look forward to the organisation achieving even more success over the coming years.

R. Macdonald

Richard Macdonald CBE, chair
22 May 2015

REPORT FROM THE CHIEF EXECUTIVE

2014 proved to be another very encouraging year for Farm Africa, as we continue to unleash African farmers' abilities to grow their incomes and manage their natural resources sustainably. With income of £13.8 million, we have worked directly with just under 1.4 million beneficiaries in 2014. Both numbers are record highs for Farm Africa, and we anticipate working with more than 1.5 million people in 2015, hitting our five year strategic goal one year early.

In 2014 we continued to focus on our chosen themes which help Farm Africa make a substantial and lasting difference in the lives of the smallholder farmers we work with,

1. Community-led natural resource management and resilience
2. Smallholder productivity, organisation and market access

Our work is increasingly concentrated on the intersection of economic and environmental sustainability for the communities we support. We believe that by focusing on this area, we can support farmers to transition out of poverty on a permanent basis in ways that not only bring sustainable growth in household income but protect their natural resource base for subsequent generations. As we look to the next five years of our work and beyond, we see this as Farm Africa's core area of expertise and value add.

Farm Africa enters 2015 with a real sense of excitement and optimism. Our budget for this year is nearly £17 million, by far the highest in our history, and two and a half times what it was in 2009. Just before the end of 2014, we signed the biggest single programmatic grant in Farm Africa's history, a £6.9 million grant from the Department for International Development ("DFID") to deliver a programme under its BRACED (Building Resilience and Adaptation to Climate Extremes and Disasters) funding stream. In this very high-profile work, we will be testing innovative market-based tools to improve the resilience of economic, social and environmental systems in the lowlands of Ethiopia with more than 300,000 people, completely combining our two areas of economic and environmental sustainability.

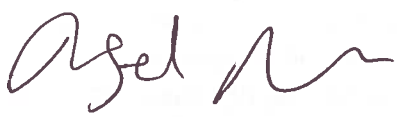
This BRACED grant will help us deliver our second strategic goal, rolling out six development models that can deliver sustainable change *at scale* across the region. In terms of that goal, 2014 also saw Farm Africa begin a major programme funded by the EU under their SHARE scheme in the Bale eco-region of south east Ethiopia, demonstrating an effective methodology for large-scale landscape management with a particular focus on water use. Both these very substantial grants will not only allow us to deliver change at scale, but also to lead complex delivery partnerships with international research organisations, private sector actors and local and international NGOs. We have put particular emphasis in our strategy on working in partnership as we believe that combining the skills and experience of a range of appropriate organisations is the most effective way of delivering impact on the ground.

Other major funding won in 2014 included grants for our work in Tanzania from Comic Relief and the Big Lottery Fund, the former for continuing our work on the sesame value chain and the latter for a new programme on orange flesh sweet potato and quality protein maize. We have invested over the last couple of years in building more of a presence in Tanzania including opening an office in Dar es Salaam, and we are encouraged to see the growth of the programme in response. Developing our programme in Uganda is our next target. Elsewhere, we should also acknowledge substantial grants from Irish Aid (again in partnership) and the US-based Barr Foundation for work on climate-smart agriculture and the forest coffee value chain. We continue to cluster our programmes in specific geographies where possible to benefit from economies of scale and depth of intervention. The Bale eco-region is a great example of this, where we are working with funding from the EU, Barr and the Royal Norwegian embassy for a series of projects that build on our excellent track record of community-led forest management and span REDD+, landscape management and value chain work. On a personal note, having just visited the region and listened to community members highlight both the positive effect of reforestation and the increasing income from their forest coffee, I can testify to the deep impact of this work.

We also continue to push boundaries – one of our core values – as we look to develop innovative solutions. In our sesame project in northern Tanzania, we have trialled the use of ICT alongside more conventional farmer field schools to transfer knowledge from farmer to farmer. Initial results look very exciting, as knowledge retention remains very high but the cost of the transfer through using tablets is a fraction of the cost of the conventional method. Elsewhere, we are looking to scale up our Maendeleo Agriculture Enterprise Fund, which is addressing the "missing middle" of financing for small-scale rural enterprises which play a vital role in linking smallholder farmers to local markets. As experts in our field – another of our values – we are investing still further both in our programme quality and impact and in our thematic experts. The strategic funding stream that we have received under DFID's PPA scheme has been vital in building this continuing capacity.

The funding we raise from our supporters, both individual and corporate, also remains a key part of the impact that we create for communities in east Africa. We are launching a second stage of our Food for Good campaign, looking to raise a total of £5 million from the food and hospitality industries within the UK in the coming years, and continue to grow our income from individuals, schools and churches. I should like to thank most sincerely all supporters, funders and partners who have contributed to our work in 2014, and I believe that this report illustrates the difference you are making. And as always, I wish to pay tribute to my staff and trustees for all of your commitment, dedication and expertise in serving the communities we work with in east Africa.

2015 marks thirty years since Farm Africa was first founded, and our recent substantial growth is very exciting for us all. But our vision of a prosperous rural Africa, and our commitment to reduce poverty permanently for smallholder farmers remain as true today as ever. As we refresh our strategy for the next five years and beyond, we commit ourselves anew to working in partnership with smallholder communities in east Africa, changing lives for good, for ever.



Nigel Harris, Chief Executive

22 May 2015

ANNUAL REPORT OF THE BOARD OF TRUSTEES

The board of trustees of Food and Agricultural Research Management Limited (Farm Africa), which is also its board of directors, hereby presents its report (incorporating the strategic review and the directors' report) together with the financial statements for the year ended 31 December 2014.

LEGAL OBJECTS, STRATEGIC VISION, OBJECTIVES AND METHOD OF WORKING

Farm Africa aims to end hunger in, and bring prosperity to, rural Africa. We work with different types of farmers (pastoralists, agro-pastoralists, smallholders and forest-dwellers) in a range of regions in eastern Africa. Their specific situations vary but most are facing increasing economic, health and environmental vulnerability. We work with these farmers and other stakeholders to develop, test and support the rollout of successful solutions to achieve long-term improvements in both food security and farmer incomes. This work is enshrined in our charitable objectives:

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

We implement these objects through pursuing our organisational vision and mission:

OUR VISION: a prosperous rural Africa.

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

We have been working in eastern Africa for 30 years and currently have programmes in Ethiopia, Kenya, Tanzania and Uganda. We work at the intersection of building incomes and managing agricultural natural resources. We focus on crops, livestock and forestry and have a track record of world-class technical expertise and delivery. We are recognised for the quality of our 200 plus staff in eastern Africa who work closely with local communities to ensure an approach that combines an understanding of local cultures with expert knowledge.

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

OUR VALUES: we believe smallholder farmers can and will play a key role in achieving rural prosperity in Africa.

We deliver this by:

- **being experts in our field:** delivering insightful and impactful evidence-based solutions,
- **pushing boundaries:** being creative with old and new solutions and approaches,
- **acting for the long-term:** building relationships and delivering long-lasting change for farmers,
- **working flexibly:** taking advantage of the most effective solutions, whether from communities, the private sector, civil sector or government, and
- **sharing knowledge with others:** reaching more farmers than we could alone and ensuring effective technologies are widely accessed.

In order to achieve impact we work on three levels:

STRATEGIC REPORT

Our *Strategic plan 2012 – 2015* outlines two goals:

- By 2016, we will be directly helping 1.5 million people a year to:
    - build long-term food security, significantly increase their household income and move out of poverty, and
    - implement sustainable agricultural and forestry management practices that enable them to better withstand climate change challenges, protect natural resources and enhance productivity.
- By 2016, we will have rolled out a minimum of six development models that deliver sustainable change at scale across the region, indirectly improving the lives of over 15 million people each year in eastern Africa.

In addition, we have identified six enablers that are critical to ensuring that we are properly equipped to deliver our organisational goals. More detail on these and all our future plans is given in Farm Africa's *Strategic plan 2012 – 2015* which can be downloaded from our website www.farmafrica.org.

BENEFICIARY DATA

Accurate measurement of beneficiary data is vital for Farm Africa to assess progress towards our strategic targets and communicate our reach to donors, supporters and other stakeholders. These widely-recognised definitions of direct and indirect beneficiaries are used to collate accurate and consistent data across all Farm Africa projects:

Direct beneficiaries: individuals who have a direct interaction with Farm Africa staff and receive a specific identifiable benefit. This category includes the household members of these individuals and, wherever possible, they are disaggregated by gender. Examples of benefits that individuals could receive include training, livestock, tools, seeds and credit to start a business. Where individuals receive multiple different benefits from a project, care is taken to avoid 'double counting'. Direct beneficiaries are measured by the project.

Indirect beneficiaries: individuals who benefit from an intervention that Farm Africa has helped to establish. Impact and attribution here varies but typically impact is secondary, and it can be more challenging to specifically attribute the impact to a project. The project will therefore usually estimate these, and they will be moderated by Farm Africa's programme team. Our work managing the watershed in the Bale eco-region offers an example of large numbers of indirect beneficiaries. The indirect impact of improvements to the watershed management and environmental services, in forest areas, are estimated to positively impact all downstream communities who are dependent on the hydrology of that region. Neither impact nor attribution are directly measured and are instead based on reasoned theories of change.

In 2014, the total number of beneficiaries engaged through our project portfolio was 1,390,000; we also reached around six million indirect beneficiaries. For 2013, these figures were 1,164,000 and six million respectively, which demonstrates a 20% increase in the number of direct beneficiaries while the number of indirect remains stable. This stability is to be expected; a large proportion of indirect beneficiaries come from forestry projects, which typically cover large areas that have continued to operate at a similar capacity from 2013 to 2014. In 2014, we secured two major grants working at scale over large geographical areas. This will increase our beneficiary reach in 2015 significantly beyond the target of our 2012-2015 strategic plan. As we continue to develop our pilot programmes at the overlap of economic and environmental sustainability, we are able to both deepen the opportunities for development of our current beneficiaries and broaden the number of smallholder farmers with whom we work. We will continue to develop our organisational capacity to capture data on both the quality and impact of our work as well as beneficiary count.

HOW DID WE DO AGAINST OUR 2014 OBJECTIVES?

OUR GOALS

In order to help make a substantial and lasting difference in the lives of smallholder farmers, we continued to focus on our twin themes of

- Community-led natural resource management and resilience
- Smallholder productivity, organisation and market access

We exceeded our goal of directly reaching 1.2 million beneficiaries in 2014, reaching almost 1.4 million people. The following paragraphs provide some illustrative examples of how we have been helping smallholder farmers throughout 2014.

Community led natural resource management & resilience

- During the year, our **REDD+ pilot project** in the Bale Mountains eco zone showed excellent progress. The project builds on previous work in the Bale area and is piloting the REDD+ methodology for the first time in Ethiopia. The team are working with local communities and government to strengthen skills and systems for participatory forest management that embeds the traditional use rights of local people to derive a sustainable income from the forest. Using satellite imaging to assess deforestation rates, it has been estimated that around 2,020 hectares of forest in the project area have been saved from deforestation, representing almost 40% of the deforestation that would have been projected to occur without the intervention. The project is building the capacity of local communities and government to effectively manage the project and there is also evidence of institutional sustainability. Using an organisational capacity assessment tool (looking at different dimensions of management including financial, human resources and systems), the community-based forest organisations responsible for managing sections of the forest improved their management capacity from an average score given by the tool of 48% to 73%, with a year still to go. The other major result has been the international certification of the scheme so that the government can sell associated carbon credits on the world voluntary market, with its agreement that a part of the proceeds from this will be re-invested in the area. The programme is projected to produce a net 38 million tonnes reduction in greenhouse gases between 2012 and 2031.
- As part of our four year programme to **strengthen sustainable livelihoods within the forest environment** we have enshrined public use rights and access to forest in the forest policies of four regions in Ethiopia. The project was implemented hand in hand with regional government from outset, building capacity and commitment to maintain and expand activities. As a result of integrating Farm Africa's approach to participatory forest management into national and regional government forestry policies half of all Ethiopia's natural high forests (2.5 million ha) are now being protected under a participatory forest management approach.

Smallholder productivity, organisation and market access

- Farm Africa is constantly looking for ways of delivering our support more effectively and more efficiently. An excellent example of this our pilot integration of **ICT into our farmer training programme**. We developed locally produced and highly targeted videos to train farmers involved in our sesame project. Our research showed that , although needing a substantial initial investment in training materials, costs per farmer are cut by two thirds, compared to traditional agricultural extension efforts using demonstration plots and contact farmers in the original pilot, with even greater cost savings (up to 80%) obtainable when operating at larger scales. This approach has a number of other significant benefits: firstly, data on farmer progress can be monitored through the tablets as they go, providing far more detailed feedback around both initial understanding and knowledge retention than has previously been possible. It is also easier to fit the training into daily routines, benefiting women in particular. Finally technology is a major attractor to youth, and we hope that the use of modern technology in this way will help bring youth back into farming, and in a profitable way.

- By the end of 2014, Farm Africa's work was benefitting 175,000 people in Kenya. We facilitated formal market linkages for the farmers we support who are growing **export vegetables, sorghum and green grams, and certified seed**, among other crops Farm Africa helped to establish the first ever poultry producers cooperative in Kitui County, whose members are 75% women and four of the five leadership positions are held by women. We also contributed to the first draft of the county's poultry policy.

- **Sidai Africa** continues to expand its franchise network and is now operating through a network of 96 outlets and 340 stockists. We were delighted to secure an injection of social capital from the Adolf H Lundin foundation in the form of a 5 year $1 million debt facility. Securing returnable finance as opposed to grant funding is an important step on the journey to demonstrating the long-term commercial viability of the operation.

- Our **community based seeds project** was originally designed to develop intra community markets for improved (certified) seed for key crops in dryland areas of Kenya. Policy changes in Kenya post design phase made selling non certified seed illegal. The team conducted extensive community consultations to reorient it and are now bringing smallholders together to achieve formal certification and sell through a registered seed company. This has substantially increased access to improved seed for local farmers and shown impressive results with 19% of female farmers training having already achieving formal certification.

- A recent survey of fish farmers in our **aquashops** project found average increase in net income from fish farming of 342% compared to 2013. This is a result of various innovations including use of SMS services to send free 'tips' to fish farmers, reminding about good practice in fish production at appropriate times in the harvest cycle. We are also piloting use of this platform to collect data. As a result of our successes we have become a recognized authority on aquaculture in western Kenya, being called upon regularly to provide expertise on issues related to fish farming.

Progress against our second strategic goal, to roll out six development models that deliver sustainable change at scale has been equally strong. In last year's report we highlighted our participatory forestry management work and our veterinary franchise operation, Sidai Africa as core examples of how our work is being taken to scale. This year we focus on our work in the Bale eco-region and on our innovative enterprise fund, Mandeleo Agricultural Enterprise Fund which tackles the financing gap for small agri-businesses.

Management of a watershed in Bale eco-region

- With funding through the EU SHARE programme, we launched a programme to introduce a multi-dimensional approach to **eco-region management in Bale**, in order to address its multiple threats. The Bale eco-region (BER) is a complex biophysical and socio-economic system, which has a significant impact on the water flow between the south-eastern highlands and lowlands of Ethiopia and beyond. The region covers an area of approximately 22,000 km^2, with a human population of about 3.3 million. It comprises about 16 woredas (districts) in West Arsi and Bale zones of Oromia National Regional State (see annex). It also contains a National Park, which is home to 282 bird species and some of the last populations of the endangered Ethiopia wolf and mountain nyala.

- We have worked on **forest management in Bale** for a number of years and have contributed much over that period to the capacity of local communities to manage the area sustainably and profitably which we have reported on in previous years. In this new programme we have come together with an exciting range of implementation partners to deliver a more comprehensive and ambitious approach: SOS Sahel, Frankfurt Zoological Society (FZS), International Water Management Institute (IWMI), and Population Health Environment Ethiopia Consortium (PHEEC). FZS is playing a major role in supporting and managing the Bale Mountains National Park and forest management in the wider region. IWMI is a member of the CGIAR system, which brings unique expertise in watershed management and research. PHEEC is a local NGO skilled in community mobilisation and policy development about environmental management, especially as it relates to population control.

- The programme is seeking to build government and community capacity for integrated management and planning of an eco-system, build knowledge and awareness about watershed management, develop a body of research to support the approach, and demonstrate its contribution to the resilience of the communities within the BER and beyond. It will also aim to elucidate some important relationships between highland and lowland communities, the potential for payment for ecosystems services, and the role of gender in integrated natural resource management

Tackling the financing gap for small agri-enterprises

- Our Maendeleo Agricultural Enterprise Fund (MAEF) programme has also made significant strides in placing Farm Africa as a serious player in the social impact investment space. Farm Africa is now working with impact investors to bridge the financing gap between philanthropy and commercial agricultural finance to support enterprise growth in order to generate rural employment and sustainable incomes for farmers.
- Supplying capital funding and intensively focused technical expertise, the fund enables agriculture-focussed small businesses to build effective and sustainable commercial relationships with hard to reach smallholder farmers and also prepare these businesses to source commercial finance in the longer-term.
- As an example of how our MAEF programme for small businesses helps to benefit smallholder farmers, we supported a cashew processor to gain fair trade & organic certification. This increased market prices for cashew from 35 Ksh/kg to 40-50 Ksh/kg, benefiting not only the 2,000 farmers that the programme worked with directly but also other cashew farmers in the region.

Plans for the future

In 2015, we will directly work with at least 1.5 million people through agriculture and forestry programmes that demonstrate both economic and environmental sustainability. As noted previously in this report we will achieve this target a full year ahead of our 2012 – 2015 strategic plan. We also plan to be able to report on the last two of our six development models we will have rolled out over the same period.

In 2015, we will also be undertaking a review and refresh of our organisational strategy setting new goals and refining our approach to equip us for 2016 and beyond.

PROGRESS AGAINST OUR ORGANISATIONAL ENABLERS

As part of our *strategic plan 2012-2015* we identified six key enablers to ensure we are properly equipped to deliver our organisational goals. We have achieved substantial progress against these 2015 targets.

Programmes

- Raise £12 million of contracted funding
- Design cutting-edge and innovative new programmes with special emphasis on sustainability and market engagement
- Build on our progress in gender and identify at least two youth-focussed projects
- Have in place thematic experts for forestry/natural resources, crops, markets/value chains and ICT

In 2014 we raised just under £10.6 million of new contracted funding. The most significant single piece of work is our BRACED project in Ethiopia (£6.9 million) which is the largest single grant in Farm Africa's history. BRACED was a highly competitive funding stream and our success is a demonstration of our ability to develop a truly innovative bid. We are also delighted with the breadth of funders supporting Farm Africa's work including the Big Lottery Fund, Irish Aid and the Barr Foundation ensuring that we do not become overly reliant on a single donor source. A full list of our institutional funders is given in note three.

Our approach to incorporating gender analysis as standard practice in programme design has been welcomed by many of our donors. DFID in particular have commended our work on gender audit and gender policy development in Ethiopia in our PPA feedback. Our work in this area helped us to secure £1 million in funding from Comic Relief for the next stage of our sesame work which will focus on female entrepreneurs. Our work on youth will be addressed more fully as part of our strategy refresh.

Our head of forestry and head of market engagement added substantial value to both the design and development of programmes and we are delighted to have recently recruited a head of agriculture to join our regional team.

In 2015, we will:

- Raise £14 million of new contracted funding.
- Review our work in livestock, agriculture and nutrition, gender and youth to set the strategy for 2016 and beyond.
- Increase our use of beneficiary feedback and gender analysis in project design.
- Scale up our market engagement work, especially MAEF.

Outcomes and impact

- Continue to implement VfM considerations across the programme cycle
- Continue to build on our progress in measuring and evidencing impact, broadening this into a wider focus on the quality of our field work.

Our programme quality and impact team was expanded in mid-2014, increasing the capacity to provide expert support and advice to field teams on all aspects of monitoring, evaluation and learning. This has included increased oversight of project evaluation processes, analytical support of project monitoring and increased standardisation of data collection tools. This increased capacity has also freed up resources to focus more on designing learning processes to help us test new approaches and disseminate our learning. One example of this is the design and evaluation of a small pilot project to test the use of tablet computers to train Tanzanian sesame farmers in improved cultivation techniques. The evaluation found that similar knowledge gains were achieved using tablets compared to the traditional approach, but delivered at around one third of the cost. As we continue to develop these processes, a key focus for 2015 will be to strengthen and systematise our approach to community feedback, ensuring that the perspectives of the people we support are effectively shaping the work we do on the ground.

In 2015, we will

- Develop a small number of indicators for use across all programme activity together with simple tools for ensuring collection of quality data to support this.
- Explicitly include learning from project evaluations into programme design.

Partnerships

- Expand the number of successful multi-partner partnerships, working more closely with key partners.

The successful bid for DFID BRACED funding of £6.9 million was a clear demonstration of our ability to lead a successful multi-partner, multi-sector partnership in this instance consisting of Mercy Corps, Lions Head and LTS International and follows on from other multi-stakeholder partnerships across our portfolio. We have also been expanding our work with local partners. In Tanzania, for example, we have put together a new four way partnership to take forward and expand Farm Africa's successful sesame project. The partnership will expand the project from one to three districts and leverage Farm Africa's innovative use of ICT to double the number of farmers we are training in good agricultural practices.

In 2015, we will:

- Demonstrate excellence in delivering new complex partnerships.
- Build increased private sector partnerships for programme growth.

Research and development

- Drive forward the forestry agenda and publish thought leadership pieces

In 2014 we published a number of thought leadership pieces building on our work in the forestry sector. These included "Non-timber forest products based business models in Ethiopia: the case of frankincense and forest coffee" and "Making forests pay: enhancing the effectiveness of PFM in Ethiopia" with the first of these being presented at an international workshop organised by IIED.

In 2015, we will:

- Further disseminate our learning including joint workshops with major funders on private sector and consortium working and the publication of four technical content papers.

Fundraising and communications

- Raise a minimum of £2.4 million of unrestricted funding
- Increase the technical content of our printed and online materials so as to appeal to a wider variety of audiences.

We raised £2.2 million of unrestricted funding (excluding the PPA grant) in 2014 and were also notified of two major legacy bequests totalling £0.5 million which will be recognised in 2015. Key highlights include our first ever gala ball which raised nearly £150,000 and a media partnership with countryside magazine. The food for good campaign, supported by the UK food and hospitality industries continues to grow with a pipeline of major events scheduled throughout 2015. As well as publishing a number of thought leadership pieces, we have also been exploring new ways to share our technical content including participating in a live Twitter chat #2020resilience. This event focused on the subject of "building resilience for food & nutrition security" reached over 450,000 twitter accounts. We remain committed to increasing technical content and have started to incorporate learning objectives more clearly into project design to facilitate this.

In 2015, we will

- Raise £2.7 million in unrestricted funding.
- Increase technical content and impact data on all communications channels.

Corporate organisation and culture

- Roll out the Farm Africa leadership programme to build a high-performing organisation
- Improve our knowledge management systems to better share technical knowledge and expertise

We ran our first ever Farm Africa leadership development programme from January to October 2014. We designed the programme to be run in-house so that we would be able to benefit from in-depth conversations with senior leaders from a range of industries and help participants to develop their leadership styles linked to Farm Africa's values. This innovative programme culminated in a final session to agree how the participants could play an ongoing role in the leadership of Farm Africa, widening the pool of leadership resource within the organisation. A second programme commenced late in 2014.

During 2014 we have been testing a variety of methods to better share technical knowledge. There has been a substantial uptake in the use of our intranet system which allows both for learning between projects and for sharing internal and external resources. We have also held a number of action learning days led by our thematic experts with the aim of improving our project implementation through sharing internal knowledge and learning from external sources.

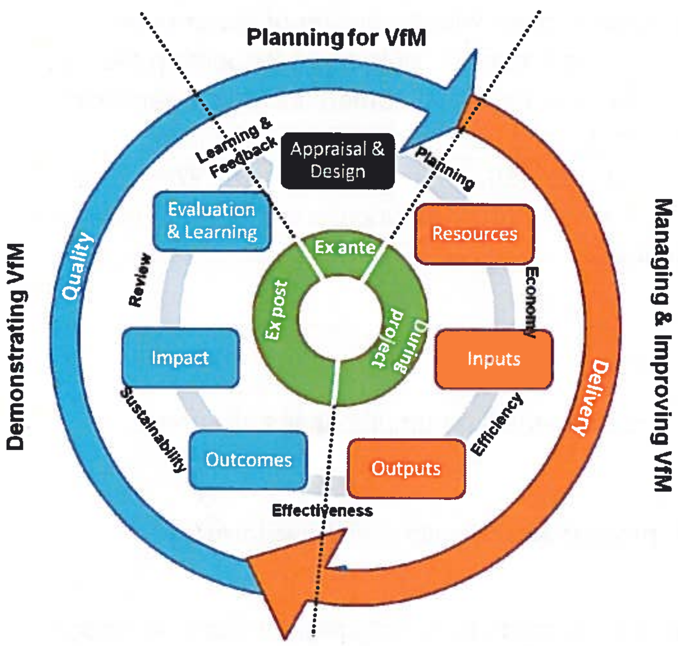
The results from our second all staff survey "have your say" were impressive and with a response rate of 86% provided useful data to shape our people strategy. Overall 96% of our employees are proud to say they work for Farm Africa and 93% believing that we are achieving substantial long-term improvements to the lives of our beneficiaries.

In 2015, we will:

- Improve knowledge management tools for increased organisational learning.
- Continue to invest in leadership development across the organisation.
- Increase staff levels of identification with the Farm Africa values, particularly sharing knowledge and being experts in our field.

VALUE FOR MONEY APPROACH

During 2014 we have continued to apply the VfM framework developed in our 2013 report to track, manage and improve the value for money (VfM) of our work. Our framework is grounded in the widely-used '3Es'[1] approach, but expands the components of VfM to incorporate sustainability and learning. Sustainability is vital for achieving VfM in the work we do: if a project's results do not last beyond our direct involvement, it cannot be said to deliver good VfM. We also recognised the need for a stronger organisational focus on learning and feedback loops. The expectation is that greater VfM will be achieved over time if the learning from one context is shared and systematically influences the design of another.



Managing VfM

To manage VfM, it is important to understand our main cost drivers. This helps us to identify appropriate mitigating actions, keeping costs down. The table below summarises some of the key actions we have taken in 2014 against our major cost drivers:

Category	Drivers	Mitigating actions 2014
Human Resources	• Competition from other agencies • Project locations – e.g. remoteness, environment	• Salary surveys • Developing salary scales • Revised HR handbooks with clear policies on benefits, per diems etc. • Investment in staff learning & development (e.g. leadership programme)
Travel	• Inflation • Security context • Accessibility of projects	• Robust fleet management procedures and journey planning; joint visits by staff • Environmental policy mandating a 4 night minimum stay in Africa • Use of Skype, conference calls and Yammer wherever feasible
Local office running costs	• Numbers of staff • Availability and location of suitable accommodation	• Clustering projects to share office facilities • Sub-letting office space from other charities • Desk planning to maximise space
External services and goods	• Local market (availability of goods and services) • Donor guidelines (e.g. EU restrictive procurement guidelines)	• Flexing procurement processes to type of expenditure • Utilising *pro bono* where possible • Rigorous budget monitoring procedures • Procurement policy is embedded in induction procedures • Preferred suppliers list

[1] Economy, efficiency and effectiveness

Demonstrating VfM – successes in 2014

- **Economy** refers to getting the best value inputs. This does not mean always choosing the cheapest inputs, but rather seeking the lowest cost for the required level of quality. The use of experienced audit volunteers within our internal audit programme is an example of a more economic approach to sourcing this function than engaging a consultant.
- **Efficiency** is concerned with how much of our intended outputs are delivered for a given input. The use of tablet computers in Tanzania is a more efficient approach to provide training and extension services to sesame farmers than that of a traditional farmer field school.
- **Effectiveness** considers how well our outputs deliver the desired outcomes for our target communities. The SMS service used to send free 'tips' to fish farmers in our aquaculture project to achieve increases in net income is an example of an effective approach.
- **Sustainability** means ensuring our projects deliver lasting change on the ground. For our work, this can mean economic, environment or institutional sustainability. One project that is attempting to address all three dimensions of sustainability is our REDD+ project in the Bale Eco Region of Ethiopia.
- **Learning** is crucial for VfM by ensuring that lessons about what works well or less well, and why, can be applied as widely as possible. One example of strengthened internal learning process has been the redesign of our project performance review (PPR) process to better encourage field teams to constructively challenge and critique. We have also agreed that each new project that is designed will specify its key learning questions up front, making it easier to design an appropriate monitoring, evaluation and learning system to answer them.

Looking ahead

Good progress has been made in 2014 and we are increasingly confident in our ability to demonstrate the value for money of our projects. However, our ability to continue to design and deliver cost effective projects depends on effective budgeting from the outset. One area identified for particular focus in 2015 is to identify opportunities to improve the full recovery of project costs from project budget. The objective here is to ensure all project management costs are clearly identified in project budgets, so donors are clearer about what it is they are paying for and we can dedicate more of our unrestricted funding to engaging with local communities and pro-active programme design.

RISK MANAGEMENT

The board is responsible for ensuring that there is an appropriate procedure for the management of any risks faced by Farm Africa. Assisted by senior staff, the board regularly reviews and assesses the major risks to which Farm Africa is exposed, in particular those relating to the operations and finances of the organisation, and receives a report regarding the status of those risks and the mitigating actions and controls that are in place. At each meeting the board also reviews in depth Farm Africa's response to a key area of risk that is not covered more regularly.

The four most significant risks identified by the board are:

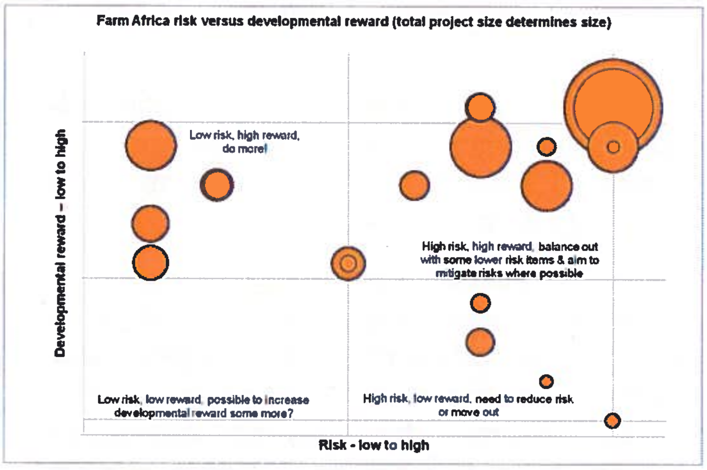
- maintaining and increasing programmatic funding,
- reliance on a small number of key staff,

- political and security risks arising in the countries where we operate, and
- managing delivery through partnerships

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

A regular programme of internal audit provides additional support for the trustees in considering the effectiveness of the controls. In 2014, Farm Africa has introduced a leadership development programme to help improve succession planning.

Moreover, Farm Africa is committed to innovation in its operational programmes, and as a result will often engage in activities that are new or untested elsewhere. This strategy will inevitably increase the level of risk to Farm Africa. The board fully supports this strategy, and is satisfied that the management systems in place provide reasonable, albeit not absolute, assurance that identifiable risks are managed appropriately.



As an example of those management systems, the board reviews a mapping of the risk level associated with each of Farm Africa's programmes against the potential developmental reward.

PUBLIC BENEFIT

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

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

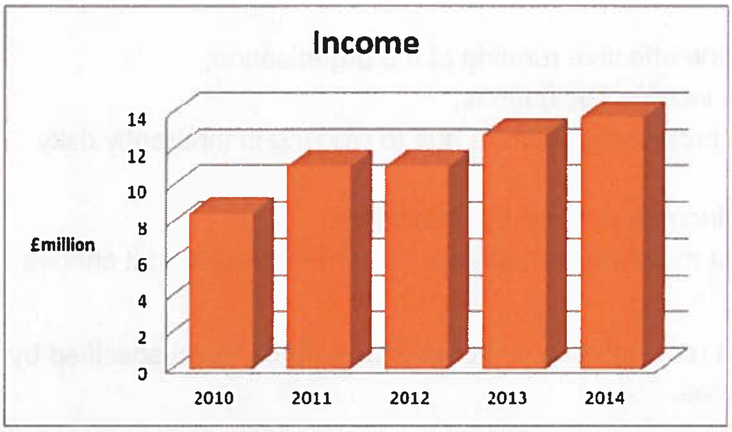
The trustees have therefore satisfied themselves that Farm Africa meets the public benefit requirements and they confirm that they have taken due regard of guidance contained in the charity commission's general guidance on public benefit and the specific guidance on the prevention or relief of poverty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

FINANCES

OVERVIEW

2014 is another record year for Farm Africa with income increasing by 7% to £13.8 million (2013: £12.8 million). Over the last five years, Farm Africa's income has grown by an average of 13.9% per annum which has underpinned our ability to deliver the increase in beneficiary numbers that we set out in our strategic plan. The results consolidate those of our subsidiary undertaking, Sidai Africa Kenya Limited.

INCOME



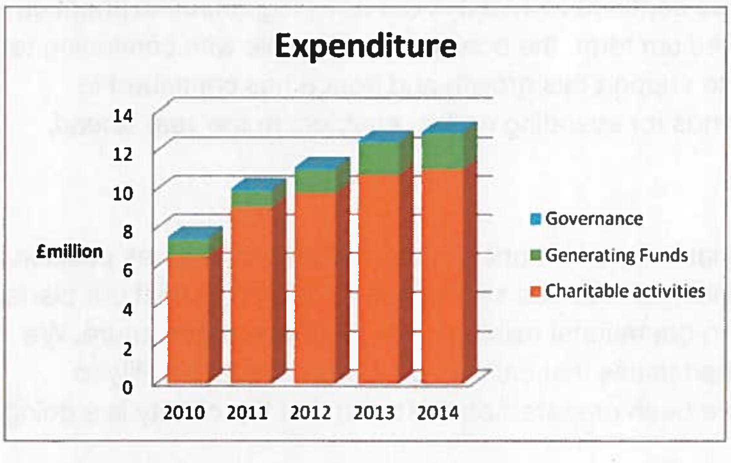
As noted above our total income has increased to **£13.8 million** (2013: £12.8 million). Of this £0.8 million relates to an advance quarterly payment of PPA funding from DFID.

Fundraising income has remained stable at **£2.4 million** (2013: £2.4 million) and our **other unrestricted income grew by £0.5 million**, mostly through the trading activity of Sidai Africa Limited which is designated for use by Sidai.

Our project income, which is principally income from our government, institutional and other major donors, **increased to £6.6 million** (2013: £6.3 million). However, as noted above, we secured £10.6 million of contracted income in the year in relation to multi-year contracts which will deliver further increases in programmatic income in 2015 and beyond.

EXPENDITURE

Our total expenditure has **increased by £0.5 million to £13.0 million** (2013: £12.5 million).



Roughly half of the increase in expenditure relates to spending on charitable activities which increased from £10.8 million in 2013 to £11.0 million in 2014.

The remaining increase relates to our ongoing investment in unrestricted fundraising to help build our donor database to support the organisational enablers following the end of the strategic funding from DFID in March 2016.

RESERVES

Overall we generated **a surplus of £0.8 million** of which, after transfers, £0.7 million was unrestricted and £0.1 million was restricted.

As at 31 December 2014, £1.2 million (2013: £0.5 million) of our unrestricted funds are designated, **of which £0.5 million represents** funds received from the PPA that we plan to invest in our programme priorities and organisational enablers during 2015, and **£0.7 million**

relates to unrestricted funds held in Sidai which will be used for the ongoing growth of that programme. **The parent charity's remaining unrestricted funds remain stable at £0.7 million.**

In summary, we begin 2015 in a good financial position with reserves necessary to deliver our ambitious goals for growth in 2015, and plans in place to increase our income to deliver this growth in 2015 and beyond.

RESERVES POLICY

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

- to provide working capital 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,
- to manage the seasonality of income within the organisation,
- to enable Farm Africa to invest in unforeseen funding opportunities should it choose to do so.

The board considers that unrestricted reserves should fall at or around the level specified by the aggregate of the following measures:

- income risk: an assessment of the percentage risk in each unrestricted income stream, including forecast hub recovery and co-funding (this year the risk factors range from 5% to 30%), and
- programmatic expenditure: an assessment of the unplanned unrestricted expenditure needs being calculated as 5% - 7% of projected restricted expenditure

These measures imply an unrestricted reserves target at **31 December 2014 in the region of £1.1 million.** This compares to an actual figure of unrestricted funds, including those designated as enabler spend, of **£1.2 million**. This is a time of significant challenges for Africa's farmers and it is critical that we continue to invest in our key programmatic priorities to grow our support. In the short to medium term, the board is comfortable with continuing to invest in the organisational enablers to support this growth and hence has continued to designate some of the unrestricted funds for spending on key enablers in the year ahead.

GOING CONCERN

We have set out above a review of financial performance and the charity's reserves position. We believe that we have adequate financial reserves to continue to deliver against our plans and adequate resources to continue in operational existence for the foreseeable future. We believe that there are no material uncertainties that call into doubt the charity's ability to continue. The accounts have therefore been prepared on the basis that the charity is a going concern.

INVESTMENT POLICY

Farm Africa has an agreed investment policy covering both programme related investments (covered in the section on governance and organisational structure) and assets held to fund planned expenditure. As the majority of Farm Africa's funds are held to support planned expenditure capital volatility cannot be tolerated and therefore such assets are held as cash, invested to obtain a yield where possible. The cash is spread by counterparty and are subject to a maximum exposure of 30% or £400,000 (whichever is the lower) of the cash balance by institution.

The approach to programme related investment is covered in the section on governance and organisational structure.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

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

Mr Michael Palin CBE kindly agreed to continue as patron of Farm Africa during 2014. Sir Martin Wood OBE FRS DL continued as President.

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 report from the chair on page 6.

Recruitment is undertaken through a range of routes dependent on the identified needs. For example, when seeking a trustee with audit experience, we have targeted advertising through selected accountancy firms. This is then 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 remuneration and audit committee (FRAC) meets regularly under the chairmanship of John Shaw, Farm Africa's Treasurer. FRAC normally comprises at least three 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. 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.

The programme advisory committee (PAC) met throughout 2014 under the chairmanship of Professor Jonathan Kydd. PAC comprises at least two trustee members and external members from a wide range of disciplines. Since the resignation of Dr Helen Pankhurst earlier in the year, PAC has had only one trustee member. However, the board consider the calibre of the external members to be such that a second trustee member is not required. It has two objectives:

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

The nominations committee also continued its work during the year. It is chaired by Richard Macdonald and comprises no fewer than three trustees appointed by the board, with the chief executive as a non-voting member of the committee. The committee takes responsibility for identifying and proposing new board members and for their induction, support and development.

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.

During 2014, Farm Africa had two active subsidiaries:

- Sidai Africa Limited (formerly Farm Africa Enterprises Limited), which acted as an investment holding company for Sidai Africa Kenya Limited (formerly Sidai Africa Limited), our veterinary franchise operation in Kenya, and
- Farm Africa Trading Limited, which began trading in April 2013, enables us to receive sponsorship income from corporate partners in a tax efficient manner.

The detailed results for our active subsidiaries are shown in note 13. Farm Africa Trading made a loss for the year before gift aid of £31,000 (2013: profit of £133,000). Our corporate sponsorship income is variable as it is dependent on the number of high profile events in a particular year and thus may result in a loss in any one year. We expect Farm Africa Trading to make a profit in 2015. Sidai Africa (Kenya) made a surplus for the year of £26,000 (2013: deficit of £46,000) with trading losses during this start up phase covered by contributions from grants received from the Bill & Melinda Gates foundation and Adeso (a US funded consortium). Further detail on the performance of Sidai is incorporated into the strategic review of the group.

Farm Africa will consider making an investment in a subsidiary undertaking, such as Sidai Africa as an alternative to direct grant funding. Such programme related investments are considered by the board on a case by case basis and kept under regular review. The expected financial return and the time horizon associated with such investments are also determined by the board.

GRANT-MAKING POLICY

The Maendeleo agricultural enterprise fund (MAEF) is a competitive grant-making fund open to any organisation in Kenya, Tanzania and Uganda. To date, calls for proposals have been issued through advertisements in the press and notices sent to key institutions. Applicants have then been invited to submit a short concept note, which is screened by Farm Africa for eligibility before being reviewed by an advisory panel. Successful applicants have then been invited to submit a full proposal for consideration by the panel. Those applicants submitting proposals that are approved for funding then received a field visit to assess the capacity of the lead organisation and verify the need for the grant. Successful applicants are receiving funding over a period of two to three years. Farm Africa receives a final financial and narrative report when funding is complete.

Where Farm Africa is acting as lead partner in a consortium, Farm Africa may also grant funds to other consortium members. The associated reporting and other requirements are determined by the lead contract.

REMUNERATION POLICY

In 2013 in response to public concern about the level of senior level salaries that were being paid in the charity sector, the National Council for Voluntary Organisations (NCVO) conducted a survey across the charity sector. This survey showed clearly that charities need to employ highly professional and skilled staff in order to effectively deliver against their vision and mission and to ensure that donor money is used in the most effective way to give value for money. Taking account of both the concerns from the public and the importance of a professionally run charity sector, the NCVO recommended that charities should consider developing and publishing a remuneration statement to clearly explain their pay strategy and to move towards declaring the individual remuneration of their highest paid staff.

As a charity with annual audited accounts, Farm Africa has already for many years published the number of staff whose remuneration is £60,000 or more, in salary bands of £10,000 as required by current legislation. This information is clearly available in note 11 'Employees' of our annual report and accounts. In 2014, our chief executive was paid £84,000.

The following statement provides information beyond the numbers detailed in our annual report and accounts in line with the recommendations made by the NCVO.

Farm Africa is an ambitious organisation determined to reach as many smallholder farmers and their families as we possibly can. We cannot and 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 a projected annual budget of over £17 million for 2015, has a track record of world class technical expertise and delivery and has around 200 staff internationally.

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. FRAC uses this 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.

LEGAL STRUCTURE

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

TAX STATUS

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

AUDITOR APPOINTMENT

A resolution concerning the reappointment of Crowe Clark Whitehill LLP as auditors will be proposed at the Farm Africa annual general meeting of **23 June 2015**.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

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

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

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

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

Approved by the board of trustees of Food & Agricultural Research Management Limited on 22 May 2015 including, in their capacity as company directors, the strategic report contained therein, and signed on its behalf by

Richard Macdonald CBE, chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOD & AGRICULTURAL RESEARCH MANAGEMENT LIMITED

We have audited the financial statements of Food and Agricultural Research Management Limited for the year ended 31 December 2014 which comprise the consolidated statement of financial activities, the group and company balance sheets, the consolidated cash flow statement and the related notes numbered 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom generally accepted accounting practice).

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

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITOR

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and international standards on auditing (UK and Ireland). Those standards require us to comply with the auditing practices board's ethical standards for auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the strategic report and the trustees' annual report and report from the chair and report from the chief executive to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPNION ON THE FINANCIAL STATEMENTS

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 2014 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.

OPINION ON OTHER MATTER DESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the trustees annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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
- 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.

N. Hashemi

Naziar Hashemi
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

28/5/15

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating income & expenditure account) for the year ended 31 December 2014

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2014 £'000	Total Funds 2013 £'000
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income:					
Donations and legacies	2a	1,999	37	2,036	2,052
Grants	2a	3,907	-	3,907	3,143
Gifts in kind	2a	94	-	94	94
Activities for generating funds	2b	34	-	34	232
Investment income	2c	8	-	8	-
Total incoming resources from generated funds		6,042	37	6,079	5,521
Incoming resources from charitable activities					
General charitable activities	3	-	6,353	6,353	6,268
Social enterprise trading income		1,289	-	1,289	988
Other incoming resources	4	-	63	63	45
Total incoming resources from generated funds		1,289	6,416	7,705	7,301
Total incoming resources		7,331	6,453	13,784	12,822
RESOURCES EXPENDED					
Costs of generating funds					
Voluntary income:					
Donations and legacies	6a	1,738	-	1,738	1,397
Grants	6a	62	-	62	169
Activities for generating funds	6b	54	-	54	115
Total costs of generating funds		1,854	-	1,854	1,681
Costs of charitable activities					
Building income and food security					
Social enterprises	7	513	2,056	2,569	1,782
Programme activities	7	2,163	3,021	5,184	5,521
		2,676	5,077	7,753	7,303
Natural resource management	7	1,799	1,483	3,282	3,455
Total costs of charitable activity		4,475	6,560	11,035	10,758
Governance costs	9	68	-	68	71
Total resources expended		6,397	6,560	12,957	12,510
Net income/ (expenditure) for the year	5	934	(107)	827	312
Transfers between funds	18	(186)	186	-	-
Net movement on funds		748	79	827	312
Total funds brought forward		1,170	2,867	4,037	3,725
Total funds carried forward	18	1,918	2,946	4,864	4,037

All the above results derived from continuing activities. There are no recognised gains and losses other than those stated above. The notes on pages 33 to 47 form an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2014

	Notes	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
FIXED ASSETS					
Tangible assets	12	**285**	**86**	337	101
Investments	13	**-**	**629**	-	321
Total fixed assets		**285**	**715**	337	422
CURRENT ASSETS					
Stock: goods for resale		**437**	**-**	508	-
Debtors	14	**1,265**	**1,156**	992	940
Cash at bank and in hand		**3,625**	**2,955**	2,194	1,944
Short-term deposits		**684**	**684**	896	896
		6,011	**4,795**	4,590	3,780
Creditors					
Amounts falling due within one year	15	**(978)**	**(689)**	(771)	(596)
Net current assets		**5,033**	**4,106**	3,819	3,184
Total assets less current liabilities		**5,318**	**4,821**	4,156	3,606
Creditors: amounts falling due in more than one year	16	**(256)**	**-**	-	-
Provisions for liabilities and charges	17	**(198)**	**(198)**	(119)	(119)
NET ASSETS		**4,864**	**4,623**	4,037	3,487
FUNDS					
Restricted funds	18	**2,946**	**3,337**	2,867	2,395
Unrestricted funds	18				
- General reserves		**717**	**749**	714	714
- Designated funds (enabler spend)		**537**	**537**	378	378
- Designated funds (Sidai)		**664**	**-**	78	-
TOTAL FUNDS	18	**4,864**	**4,623**	4,037	3,487

Approved by the Board and authorised for issue on 22 May 2015 and signed on their behalf by:

Richard Macdonald
Chairman

John Shaw
Treasurer

Registered Company No: 01926828

The notes on pages 33 to 47 form an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow/ (outflow) from operating activities	A	**1,243**	(209)
Returns on investments and servicing of finance			
Deposit interest received		**8**	-
Capital expenditure and financial investment			
Disposal of tangible fixed assets		**-**	16
Purchase of tangible fixed assets		**(32)**	(242)
Financing			
Increase in borrowings		**256**	-
Increase/ decrease in cash		**1,475**	(435)
Net cash resources at 1 January		**3.090**	3,525
Net cash resources at 31 December	B,C	**4,565**	3,090

NOTES TO THE CASHFLOW STATEMENT

A. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES

	2014 £'000	2013 £'000
Net incoming resources	**827**	312
Depreciation	**84**	78
(Profit) on the disposal of fixed assets	**-**	(14)
Increase in debtors	**(273)**	(5)
Increase / (decrease) in creditors falling due within one year	**207**	(277)
Increase in creditors falling due in more than one year	**256**	-
Increase in provisions	**79**	46
Decrease / (increase) in stocks	**71**	(349)
Investment income	**(8)**	-
Net cash outflow from operating activities	**1,243**	(209)

B. ANALYSIS OF CHANGES IN NET DEBT

	2014 £'000	2013 £'000	Change in year £'000
Short term deposits held in UK	**684**	896	(212)
Cash at bank and in hand in the UK and overseas	**3,625**	2,194	1,431
Debt due after one year	**256**	-	256
	4,565	3,090	1,475

C. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2014 £'000
Increase in cash in the period	1,219
Borrowings	256
Changes in net debt	1,475
Net debt at 1 January	3,090
Net funds at 31 December	4,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention and in accordance with the statement of recommended practice, accounting and reporting by charities (SORP 2005) applicable accounting standards and the companies act 2006. The financial statements have been prepared on a going concern basis as discussed in the trustee's report on page 22.

The results and balance sheet of the charitable company's subsidiaries have been consolidated using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition. 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 income of the charitable company was £1,136,000 (2013: £354,000).

b) 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.

c) Incoming resources

Voluntary income, including donations, gifts and legacies, gifts in kind and grants are recognised where there is entitlement. In respect of legacy income we consider entitlement to be the earlier of finalised estate accounts or receipt of the income. Tax recovered from voluntary income received under gift aid is recognised when the related income is receivable and is allocated to the income category to which the income relates.

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.

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 activities from generating funds (merchandise income and income derived from events and community fundraising) 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.

d) Resources expended

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

Charitable expenditure is reported as a functional analysis of the work undertaken by Farm Africa, against our two strategic outcomes of building food an income 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.

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.

The cost of generating 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.

Governance costs include those incurred in the governance of the charitable company's assets, and comprise the costs of constitutional and statutory requirements and restructuring costs.

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

e) 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.

f) Foreign currencies

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.

g) 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.

h) 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. The initial cost of fixed assets purchased within the last four years and presently employed in current projects is referred to in note 12.

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

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

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

i) Investments

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

j) Stock: goods for resale

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

2. INCOMING RESOURCES FROM GENERATING FUNDS

a) Voluntary income

	Unrestricted 2014 £'000	Restricted 2014 £'000	Total 2014 £'000	Total 2013 £'000
Donations and legacies				
Committed giving	**614**	**-**	**614**	516
Appeals and donations	**883**	**37**	**920**	1,045
Legacies (note 26)	**162**	**-**	**162**	143
Fundraising events	**309**	**-**	**309**	303
Corporate donations	**31**	**-**	**31**	45
	1,999	**37**	**2,036**	2,052
Grants				
Institutional donors: Department for International Development Programme Partnership Arrangement	**3,848**	**-**	**3,848**	3,078
Trusts and foundations	**59**	**-**	**59**	65
	3,907	**-**	**3,907**	3,143
Gifts in kind				
Donated services	**94**	**-**	**94**	94
	94	**-**	**94**	94

b) Activities for generating funds

	Total 2014 £'000	Total 2013 £'000
Community fundraising	**2**	14
Rent receivable	**-**	20
Trading	**32**	198
	34	232

c) Investment income

	Total 2014 £'000	Total 2013 £'000
Bank interest on short-term deposits	**8**	-

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

a) General charitable activities: grants and similar income (restricted)

	Total 2014 £'000	Total 2013 £'000
Grants from government, institutional & other similar donors		
Africa Enterprise Challenge Fund in partnership with SABMiller	-	192
Adeso	875	315
AGRA	107	165
Barr Foundation	185	-
Bill & Melinda Gates Foundation	415	892
Big Lottery Fund ICA/2/0010226025	9	-
Big Lottery Fund ICB/2/010438249	142	180
CARE Ethiopia	81	401
Cordaid	107	132
European Union	2,100	967
Embassy of Ireland to Ethiopia	160	649
Food and Agricultural Organisation of the United Nations	102	-
Georg and Emily von Opel Foundation	185	233
Guernsey Overseas Aid Commission	40	-
Lundin for Africa	193	253
Medicor Foundation	116	-
Norwegian Embassy & Irish Aid	-	-
Royal Norwegian Embassy	253	517
Small Foundation	158	228
The Ford Foundation	134	78
The Melbreak Trust	80	80
The National Development Fund of Norway	-	224
The Rockefeller Foundation	-	129
UK aid from the Department of International Development – Building resilience & food secure households in Tigray	43	-
UK aid from the Department of International Development - BRACED	260	-
Other international agencies and other donors	608	633
	6,353	6,268

4. OTHER INCOMING RESOURCES

	Total 2014 £'000	Total 2013 £'000
Profit on sale of fixed assets and other miscellaneous income	63	45

5. NET INCOMING RESOURCES FOR THE YEAR

This is stated after charging	**Total 2014 £'000**	Total 2013 £'000
Depreciation	**84**	78
Payments under operating leases	**76**	70
Auditor's remuneration: audit fees	**27**	29

6. COSTS OF GENERATING VOLUNTARY INCOME

a) Voluntary income

	Total 2014 £'000	Total 2013 £'000
Donations and legacies		
Fundraising costs	**1,597**	1,228
Support costs allocated (note 10)	**141**	169
	1,738	1,397
Grants		
Fundraising costs	**56**	149
Support costs allocated (note 10)	**6**	20
	62	169

b) Activities for generating funds

	Total 2014 £'000	Total 2013 £'000
Community fundraising costs	**49**	101
Support costs allocated (note 10)	**5**	14
	54	115

7. COSTS OF CHARITABLE ACTIVITIES

	Operational programmes £'000	Grants payable £'000	Support costs* £'000 (note 10)	Total 2014 £'000	Total 2013 £'000
Building income and food security					
Social enterprises	2,554	-	15	2,569	1,782
Programme activities	3,002	1,765	417	5,184	5,521
	5,556	1,765	432	7,753	7,303
Natural resource management	1,561	1,457	264	3,282	3,455
	7,117	3,222	696	11,035	10,758

* 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 PAYABLE

	2014 £000	2013 £000
Europe		
Self Help Africa	1,810	1,904
Frankfurt Zoological Society	369	-
Mercy Corps	82	-
Africa		
Ethiopia – SOS Sahel	463	491
PHE Ethiopia Consortium	43	-
International Water Management Institute	118	-
Maendeleo Agricultural Enterprise Fund	337	239
	3,222	2,634

The above represents the total aggregate payments made to each institution during the year for significant grants payable in the year.

The payments under our Mandeleo Agricultural Enteprise Fund were made to the following organisations across Kenya, Uganda & Tanzania: Kabarole District Farmers Association, National Crops Resources Institute, Private Sector Development and Consultancy Centre, Volunteer Efforts for Development Concerns, Tense Senses Africa Ltd, Ideal Matunda Ltd, Mwailu Enterprises Ltd, Kitui Development Centre, Kenya Agricultural Research Institute, DORT Africa, HOMEVEG Tanzania Ltd and Socio-economic research and training association.

9. GOVERNANCE COSTS

	Total 2014 £'000	Total 2013 £'000
Auditor's remuneration		
Statutory audit - company	**27**	29
Overseas audit	**10**	3
Internal audit	**3**	9
Board costs		
UK board	**19**	20
AGM costs	**2**	1
Support costs allocated (note 10)	**7**	9
	68	71

Two trustees were reimbursed £1,000 (2013: £8,000) in travel expenses incurred on behalf of the organisation and seven trustees' travel costs were paid directly at a cost of £10,000 (2013: £6,500). These costs were mainly in respect of a board meeting held in Kenya. The cost incurred by the charity for the trustee indemnity insurance was £1,000 in 2014 (2013: £1,000).

10. ANALYSIS OF SUPPORT COSTS

	Mgt Costs £'000	Office Costs £'000	Finance & IT £'000	HR Costs £'000	Total 2014 £'000	Total 2013 £'000
Basis of apportionment: activity						
Charitable activities						
Building income and food security						
Social enterprise	**6**	**-**	**9**	**-**	**15**	-
Programme activities	**58**	**173**	**135**	**51**	**417**	667
Natural resource management	**37**	**109**	**85**	**33**	**264**	418
	101	**282**	**229**	**84**	**696**	1,085
Income generation						
Voluntary income:						
Donations & legacies	**20**	**58**	**46**	**17**	**141**	169
Grants	**1**	**2**	**2**	**1**	**6**	20
	21	**60**	**48**	**18**	**147**	189
Community fundraising & merchandise	**1**	**2**	**1**	**1**	**5**	14
	1	**2**	**2**	**1**	**6**	14
Governance costs	**1**	**2**	**2**	**1**	**6**	9
	124	**346**	**280**	**104**	**854**	1,297

In 2014 the support costs allocated are UK costs only. Overseas office costs have been directly attributed to the costs of delivering charitable activities in country. This is different to previous years where UK and overseas support costs have been aggregated and apportioned across categories. The approach in 2014 is considered more appropriate as overseas office costs only related to programme activities and not UK based activities.

11. EMPLOYEES

	2014	2013
	£'000	£'000
Staff costs		
Wages and salaries (including life insurance)		
Overseas contracted staff	**2,072**	2,278
UK contracted staff	**1,434**	1,288
	3,506	3,566
Social security costs	**155**	132
Pension costs	**82**	70
	3,743	3,768

	2014	2013
	No.	No.
Employees with remuneration in the range of £60,000 to £70,000	**3**	3
Employees with remuneration in the range of £70,000 to £80,000	**-**	4
Employees with remuneration in the range of £80,000 to £90,000	**2**	-

Farm Africa paid contributions of £26,000 (2013: £35,000) into a defined contribution pension scheme for the 5 (2013: 7) higher paid employees in the year.

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

	2014	2013
	No.	No.
Overseas contracted staff	**183**	203
UK contracted staff:		
Fundraising and communications	**20**	16
Programmes support	**11**	12
Management and administration of charity	**7**	6
Governance	**2**	2
	223	239

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

Farm Africa makes contributions for its employees to various defined contribution schemes. The amount of contributions to due to these schemes at the year end 31 December 2014 was £2,000 (2013: £4,000)

12. TANGIBLE FIXED ASSETS

Group

	Leasehold Improvements £'000	Vehicles £'000	Machinery and Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2014	82	199	150	99	530
Additions			10	22	32
At 31 December 2014	**82**	**199**	**160**	**121**	**562**
Depreciation					
At 1 January 2014	(20)	(72)	(34)	(67)	(193)
Charge for the year	(15)	(32)	(21)	(16)	(84)
At 31 December 2014	**(35)**	**(104)**	**(55)**	**(83)**	**(277)**
Net book value					
At 31 December 2014	**47**	**95**	**105**	**38**	**285**
At 31 December 2013	62	127	116	32	337

Company

	Leasehold Improvements £'000	Vehicles £'000	Machinery and Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2014	82	-	39	71	192
Additions	-	-	1	17	18
At 31 December 2014	**82**	**-**	**40**	**88**	**210**
Depreciation					
At 1 January 2014	(20)	-	(16)	(55)	(91)
Charge for the year	(15)	-	(7)	(11)	(33)
At 31 December 2014	**(35)**	**-**	**(23)**	**(66)**	**(124)**
Net book value					
At 31 December 2014	**47**	**-**	**17**	**22**	**86**
At 31 December 2013	62	-	23	16	101

The tangible fixed assets purchased within the last four years, presently employed in current projects but not capitalised in these financial statements, have a total initial cost of approximately £1,714,000 (2013: £2,555,000). The accounting policy relating to fixed assets is referred to in note 1(h).

13. INVESTMENTS

	Investment in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2014	321
Additions	308
At 31 December 2014	**629**

Company	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Farm Africa Trading Limited	UK	100% owned by Farm Africa	Trading activities
Farm Africa Enterprises Limited	UK	100% owned by Farm Africa	Holding company
Sidai Africa Limited (formerly Farm Africa Enterprises Limited)	UK	100% owned by Farm Africa	Holding company
Farm Africa Intellectual Property Limited	UK	100% owned by Farm Africa	IP and registered trade marks
Sidai Africa (Kenya) Limited (formerly Sidai Africa Limited)	Kenya	279,599 shares owned by Sidai Africa & 1 share owned by Farm Africa	Provision of veterinary services

On 13 February 2015, Farm Africa instituted a group reconstruction exchanging its shares in Sidai Africa Limited for shares in Farm Africa Enterprises Limited. At this point Farm Africa Enterprises Limited became the 100% owner of Sidai Africa Limited. Farm Africa Intellectual Property Limited and Farm Africa Enterprises did not trade during the year.

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

	Sidai Africa (Kenya) Limited		Sidai Africa Limited		Farm Africa Trading Limited	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Total incoming resources	**2,164**	1,621	-	-	**32**	185
Total resources expended	**(2,139)**	(1,667)	-	-	**(64)**	(185)
Net (outgoing) resources	**26**	(46)	-	-	**(31)**	-
Revaluation on translation	-	157	-	-	-	-
Retained surplus for the year	**26**	111	-	-	**(31)**	-
Total assets	**1,451**	1,078	629	321	**80**	-
Total liabilities	**(550)**	(210)	-	-	**(111)**	-
Total funds	**902**	868	629	321	**(31)**	-

14. DEBTORS

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Amounts owed by subsidiary undertakings	-	117	-	82
Trade debtors	108	36	168	-
Other debtors	168	103	238	228
Prepayments	124	92	99	74
Accrued income – other	35	20	21	14
Accrued income – project grants	830	788	466	542
	1,265	1,156	992	940

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Amounts owed to subsidiary undertakings	-		-	8
Trade creditors	214	47	204	96
Deferred income	-	-	2	2
Other creditors and accruals	352	230	525	450
Grant obligations	366	366	-	-
Other tax and social security costs	46	46	40	40
	978	689	771	596

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

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Loan from the Adolf H. Lundin Charitable foundation to Sidai Kenya Limited	256	-	-	-
	256	-	-	-

The above loan represents the first tranche of draw down from a 5 year $1m loan facility signed in October 2014. The repayment shall 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.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	2014 Group £'000	2014 Company £'000	2013 Group £'000	2013 Company £'000
Provision at 1 January	**119**	**119**	73	73
Amount released to the statement of financial activities	**(43)**	**(43)**	(23)	(23)
Amount charged to the statement of financial activities	**122**	**122**	69	69
Provisions at 31 December	**198**	**198**	119	119

Provisions include end of contract severance provisions for staff on non-UK contracts, UK staff pensions, grant clawback and leasehold dilapidations.

Severance payments are made to employees in country programmes leaving employment with Farm Africa. The amounts payable are determined by the salary and length of service of the employees. The provision represents the accumulated entitlements of all such employees. The provision is released when payments are made to employees on departure.

The UK staff pension provision represents the accumulated entitlement for UK staff not currently within the Farm Africa defined contribution pension scheme or other independent defined contribution schemes. The provision is released when employees join a scheme.

Dilapidations represent the estimated costs of payments required to make good leased property upon termination of the lease. The provision amount relating to individual property is released on termination of the lease.

In previous years the severance and pension provisions have been included as part of creditors falling due within one year.

18. MOVEMENTS IN FUNDS

	Balance at 1 January 2014 £'000 *restated*	Incoming Resources £'000	Outgoing resources £'000	Transfers £'000	**Balance at 31 December 2014 £'000**
Ethiopian programmes	681	3,120	(2,253)	238	**1,786**
Kenyan programmes	1,001	1,038	(1,102)	(67)	**870**
Tanzanian programmes	(59)	551	(651)	80	**(79)**
Uganda programmes	47	242	(261)		**28**
South Sudan programmes	51	185	(167)	(69)	**-**
Sidai programme	1,050	1,290	(2,056)	-	**284**
Forestry programme	83	-	(24)		**59**
Other miscellaneous restricted funds	13	28	(47)	4	**(2)**
Movement on restricted reserves	2,867	6,454	(6,561)	186	**2,946**

	Balance at 1 January 2014 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	**Balance at 31 December 2014 £'000**
Designated funds – enabler spend	378	3,907	(3,748)	-	**537**
Designated funds – Sidai Africa	78	1,289	(499)	(205)	**664**
General funds	714	2,134	(2,150)	19	**717**
Movement on unrestricted reserves	1,170	7,330	(6,396)	(186)	**1,918**
Total movement on reserves	4,037	13,784	(12,957)	-	**4,864**

The movement on restricted reserves represents the net of monies received and expended on projects which are funded by grants from specific donors. The overall increase in the year is due to incoming funds being accounted for in advance of being expended. 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 expectations that funds will be received in a future period from a donor or funder to meet the costs incurred.

As at 31 December 2014, we have chosen to designate £537,000 (2013: £378,000) of our unrestricted funds representing amounts received from the PPA that we plan to invest in our programme priorities in 2015. In addition, we have designated unrestricted funds in relation to our social enterprise, Sidai Africa Limited for ongoing investment in that organisation.

The transfers to/from restricted funds represent final adjustments needed following completion of a number of large long running programmes.

The designated funds set aside for Sidai Africa represent the net assets of the subsidiary within the consolidated financial statements less any restricted funds relating to the Adeso contract and have been adjusted to reflect the completion of the funding from Bill & Melinda Gates Foundation. The trustees plan to use any value within Sidai for the benefit of that programme and so consequently will continue to designate that part of the group's unrestricted reserves.

19. NET ASSETS ANALYSIS (GROUP)

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Fund balances at 31 December 2014 are represented by:			
Tangible fixed assets	285	-	285
Net current assets	1,633	2,946	4,579
	1,918	**2,946**	**4,864**

20. CONSTITUTION

The charitable company, which is limited by guarantee, does not have a 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.

21. COMMITMENTS: OPERATING LEASES

At 31 December 2014, Farm Africa has the following annual commitments under non-cancellable operating leases:

	Equipment	**Property**	**2014 Total**	2013 Total
	£'000	**£'000**	**£'000**	£'000
Operating leases which expire:				
In less than 1 year	**1**	**-**	**1**	1
Between one and two years	**8**	**-**	**8**	4
Between two and five years	**-**	**50**	**50**	34
	9	**50**	**59**	39

22. RELATED PARTY TRANSACTIONS

There were no related party transactions requiring disclosure (2013: none).

23. POST BALANCE SHEET EVENTS

On 13 February 2015, Farm Africa instituted a group reconstruction exchanging its shares in Sidai Africa Limited (formerly Farm Africa Enterprises Limited) for shares in a newly incorporated entity, Farm Africa Enterprises Limited. At this point Farm Africa Enterprises Limited became the 100% owner of Sidai Africa Limited.

24. PARENT COMPANY RESULT

The parent company generated a surplus of £1,136,000 (2013: a surplus of £109,000).

25. PENSION COSTS

As at 31 December 2014, 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. For employees not in a pension scheme Farm Africa makes a provision at a rate of 7% of employee salary. The pension cost included in the Statement of Finance Activities for UK employees was £120,000 (2013: £94,000).

26. LEGACIES

There were £177,000 (2013: £nil) worth of legacies notified to the charity that did not meet the recognition criteria and hence have not been accounted for within these financial statements. All other legacies have been recognised here.

We were sad to hear of the deaths of the following people during the year but we are very grateful to have been remembered in their wills:

Anne Benson
Joan Churchill Bernard
Joan Bisset
Sylvia Brightley
Gerturde Bunzi
Wendy Cattle
Kathleen Clark
Richard Clark
John Curran-Douglas
Maud Dalglish
Kathleen Dunbar
Jacqueline Hall
Richard Harris
Christopher Harrison
Amy Hemmings
Sapphire Hepburn
Grace Hills
Margaret Kilkenny
Beryl Marshall
Jean Matthews
Bertha McCready
Betty Mead
Stanley Moss
Margaret Stevens
Patricia Taylor
Christopher Tidd
Yvonne Vallint