



FRIDAY



A48 09/10/2009 54
COMPANIES HOUSE

**ANNUAL REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

FOOD AND AGRICULTURAL RESEARCH
MANAGEMENT LIMITED**

REGISTERED CHARITY NO: 326901

REGISTERED COMPANY NO: 01926828

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED
YEAR ENDED 31 DECEMBER 2008

CONTENTS	Page
Officers and Advisers	3
Report from the Chairman	5
Chief Executive's Report	6
Annual Report of the Board of Trustees	
Strategic Vision, Objectives & Method of Working	7
Strategic Objectives and Achievements in 2008	8
Finances	16
Plans for the Future	18
Legal Structure and Charitable Objects	19
Governance and Organisational Structure	19
Statement of Trustees' Responsibilities	22
Independent Auditor's Report	23
Financial Statements:	
Consolidated Statement of Financial Activities	25
Consolidated Balance Sheet	26
Company Balance Sheet	27
Consolidated Cash Flow Statement	28
Notes to the Consolidated Financial Statements	29

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

OFFICERS AND ADVISERS

PATRONS

Lord Plumb of Colehill DL
Sir Peter de la Billière KCB KBE DSO MC MSC DL
Michael Palin CBE

PRESIDENT

Sir Martin Wood OBE FRS DL

TRUSTEES/DIRECTORS

The Lord De Ramsey DL (Chairman)
Dr Martin Evans (Deputy Chair)
Norman Coward (Treasurer and Trustee until 25th June 2008)
Richard Lackmann (Treasurer from 25th June 2008)
Victoria Rae (Board Secretary)
Jan Bonde Nielsen
Dr Peter Hazell
Dr Paul Zuckerman (until 25th June 2008)
Dr Helen Pankhurst
Nader Mousavizadeh
Carey Ngini (from 12th March 2008)

MEMBERS OF THE FINANCE REMUNERATION & AUDIT COMMITTEE

Norman Coward (Chairman & Treasurer until 25th June 2008)
Richard Lackmann (Chairman & Treasurer from 25th June 2008)
Dr Peter Hazell (from 24th November 2008)
Ian Mathieson (non-Trustee member)
Dr Martin Evans

MEMBERS OF THE PROGRAMME ADVISORY COMMITTEE

Dr Peter Hazell (Chairman)
Dr Helen Pankhurst
Barry Pound (non-Trustee member)
Roger Slade (non-Trustee member)
Dr Ann Waters-Bayer (non-Trustee member)

MEMBERS OF THE NOMINATIONS COMMITTEE

The Lord De Ramsey DL (Chairman)
Dr Martin Evans
Victoria Rae
Dr Christie Peacock (non-voting member)

CHIEF EXECUTIVE

Dr Christie Peacock

SENIOR MANAGEMENT TEAM

Karen Thompson (Chief Operating Officer & Finance Director)
Martin Roberts (Programmes Director until 13th June 2008)
George Mukkath (Programmes Director from 2nd October 2008)
Jane Tingle (Interim Fundraising Director until 8th July 2008)
Gina Beloff (Fundraising & Communications Director from 8th July 2008)
Johnathan Napier (Country Director – Ethiopia)
Helen Altshul (East African Regional Director)

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED
YEAR ENDED 31 DECEMBER 2008

REGISTERED OFFICE

Clifford's Inn
Fetter Lane, London EC4A 1BZ

AUDITOR

Chantrey Vellacott DFK LLP
Chartered Accountants and Registered Auditor
Russell Square House, 10 – 12 Russell Square
London WC1B 5LF

BANKERS

Barclays Bank PLC
Hanover Square Corporate Banking Group
50 Pall Mall, London SW1A 1QZ

REPORT FROM THE CHAIRMAN

I am delighted to present FARM-Africa's Annual Report and Consolidated Financial Statements for the year ended 31 December 2008. FARM-Africa's vision of a prosperous Africa is more important now than ever before. At a time of unprecedented global change the needs of communities we work with are at risk of being forgotten. FARM-Africa remains committed to ensuring that Africa's farmers and herders can overcome the difficulties facing them and can improve their own lives, not just for today but for the long term.

During 2008 there was a long overdue recognition by governments and donors that agriculture has a central role to play in ending rural hunger and poverty in sub-Saharan Africa. The rise in world soft commodity prices galvanised the international community to focus on the importance of increasing food production. The UN Secretary General established a High Level Task Force on the Global Food Crisis to co-ordinate the activities of UN agencies with responsibilities in these areas, as well as advocating the need for both short term funds and long-term investment in production and food security. In December 2008 the European Union announced the establishment of a €1 billion Emergency Food Aid Facility.

FARM-Africa's approach of increasing the impact of our expertise through partnerships that allow us to scale up our proven successes is bearing fruit. Our reputation as an organisation with a strong track record of driving change that lasts has brought FARM-Africa into a number of innovative partnerships during 2008. Our new collaborations with global organisations will bring our vital work to the attention of new supporters in the UK and abroad. I was particularly pleased that the National Farmers Union (NFU) nominated FARM-Africa as their chosen charity for their Centenary. You can read about our great successes over the last year in the following pages.

Whilst FARM-Africa faces unprecedented challenges in this economic environment our prudence in reshaping the organisation's priorities and building our unrestricted reserves during 2008 has meant that the charity is better positioned to weather the fluctuations in the current economic environment than some of our peers.

Difficult times and unexpected problems test us all but the commitment of our extremely dedicated staff and supporters means that FARM-Africa will continue to excel in enabling African farmers to develop their livelihoods in 2009 and beyond. Last year we thanked Norman Coward and Dr Paul Zuckerman for all the work they put in on our behalf and we welcomed Carey Ngini to the board. I am extremely grateful to all my fellow trustees for their efforts and to our staff and supporters without whom we could not undertake our life-changing work.



Lord De Ramsey
Chairman
20th May 2009

REPORT FROM THE CHIEF EXECUTIVE

The importance of FARM-Africa's efforts to ensure that families can protect and build their own livelihoods has been emphasised by a year of enormous global change. The high prices of food in 2008 focused some welcome attention on the fundamental issues of global food production and supply.

During 2008 FARM-Africa had an opportunity to restate the case for supporting Africa's farmers to a more receptive audience. We helped to establish a new All Party Parliamentary Group on Agriculture and Food for Development which was launched in the British Parliament in October 2008. This group is helping to raise the political profile of this important issue at this crucial time. The global downturn and food crisis is causing intervention at the highest level, with the UN Secretary General establishing a task force to mobilise support for smallholder farmers.

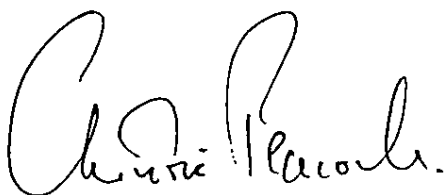
During 2008 FARM-Africa formed an exciting partnership with the Global Alliance for Animal Vaccines and Medicines (GALVmed), who received funding from the Bill and Melinda Gates Foundation to develop new livestock vaccines and to find ways for poorer livestock keepers to access them. This is giving us the opportunity to explore innovative ways in which we can scale-up our tried and tested veterinary service delivery system.

The Maendeleo Agricultural Technology Fund (MATF) continued to help farmers in East Africa to add value to the crops they produce and strengthen their links to local markets. MATF is poised to scale-up the best of its work and investment is being sought to enable this to happen from 2009 onwards.

The drought in southern Ethiopia and ongoing drought in Kenya reminds us of the climatic challenges faced by people in sub-Saharan Africa. Much of FARM-Africa's work helps local communities to cope with both the normal variation in climate and the extreme weather events now being experienced with increasing frequency. The global response to climate change is also opening up opportunities for communities to develop a low carbon future. FARM-Africa is actively researching ways in which new carbon-financing mechanisms can support rural Africans, and is seeking such funding for communities in the Bale Mountains in Ethiopia.

FARM-Africa decided to close down its work in South Africa during 2008. Having worked in South Africa for 16 years and developed approaches to reducing the poverty that is rampant in rural South Africa it was sad that we were not able to develop a financially viable long-term programme there. It indicates the relatively low priority given to rural poverty both in that country and by international donors.

FARM-Africa relies on its many and diverse supporters. We thank you very much for your support during what are, for many, difficult times and encourage new supporters to join us as we seek to continue to transform the lives of so many of the world's neediest people.



Dr Christie Peacock
Chief Executive
20th May 2009

ANNUAL REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees of FARM-Africa, which is also its Board of Directors, hereby presents its report (incorporating a directors' report) together with the financial statements for the year ended 31 December 2008. The financial statements comply with current statutory requirements and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005).

STRATEGIC VISION, OBJECTIVES AND METHOD OF WORKING

FARM-Africa has a vision of a prosperous rural Africa

FARM-Africa's mission is to reduce poverty by enabling marginal African farmers and herders to make sustainable improvements to their wellbeing through more effective management of their renewable natural resources.

FARM-Africa has been working with communities in east Africa to improve their livelihoods through agricultural development for nearly 25 years. We have seen many changes and developments during that time, but as we write this in early 2009 the needs of the African rural poor are more pressing than ever. In an atmosphere of global anxiety about the world's economy and high food prices the plight of some of eastern Africa's most marginalised people risks being neglected.

FARM-Africa is acutely aware of the scale and speed of unfolding change. We are working harder than ever to ensure that the voices of farmers and herders are heard by policy-makers, to give rural Africans the opportunity to improve their own livelihoods, and to enable them to secure the future for themselves, their families and their communities.

EXTERNAL ENVIRONMENT

Any review of performance for the year needs to be placed in the context of the external challenges that we faced during the period.

Drought in Kenya

The Kitui and Mwingi region in eastern Kenya saw widespread crop failures in 2008 due to lack of rain and local communities experienced food and fodder shortages as a result. Our project team in the area worked to mitigate these problems through training the community to dig and maintain shallow wells, enabling access to reliable water for human and animal consumption. We also provided training in growing and storing fodder, allowing farmers to improve the food supply for their livestock during this difficult period.

Drought in South Omo, Ethiopia

Insufficient rainfall in the remote Hamar and Dasenech woredas in South Omo, Ethiopia led to drought in already vulnerable pastoralist communities, heavily dependent on cattle for their livelihoods. Both of the woredas affected were already part of the government's Productive Safety-Net Programme (PSNP). We focused on livestock preservation in response to the drought as animals were falling sick and becoming weak through lack of pasture. We provided health service assistance to keep livestock strong and healthy, and implemented cash for work programmes so that people could buy food. We also provided emergency seeds to grow fast maturing varieties of maize and sorghum.

Political change

Kenya experienced incidents of inter-ethnic violence following the disputed elections at the end of 2007 which carried into 2008. This caused some disruption to our work as members of staff were unable to travel safely.

International focus on food and agriculture

The global food price spike in 2008 highlighted the importance of increased agricultural production and galvanised international donors to address both the immediate crisis and longer-term structural problems.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

The United Nations (UN) Secretary General established a High Level Task Force on the Global Food Crisis to co-ordinate the activities of UN agencies with responsibilities in these areas, as well as advocating for funds for urgent needs and long-term investment in production and food security.

Indeed, the issues of food security and agricultural production have received more serious attention in 2008 than at any time in the last two decades. There has been a concerted effort by multilateral agencies to emphasise the vital role of agricultural development in combating poverty. In particular, the World Bank Development Report for 2008 emphasised the need for aid to be refocused on supporting agriculture. The European Union, the African Development Bank and the International Fund for Agricultural Development have significantly increased financial flows to African agriculture as a result.

FARM-Africa greatly welcomes this change in thinking by governments and international agencies, as our years of grass roots work have made the central role of agriculture in lifting millions out of poverty very clear to us. We will continue to work with national governments especially at the regional level to ensure agricultural development remains a top priority for the governments concerned. We continue to provide support to farmers, herders and forest dwellers to raise the profile of agricultural development as an important contributor to improving the livelihoods of the majority of the population.

Global economic uncertainty

The downward slide of the major stock markets has severely affected exchange rates for all of our major operating currencies. Sterling has fallen in value against the dollar and euro and has also seen a serious devaluation against currencies in the African countries where we work. This, coupled with inflation rates in East Africa, has increased our operational costs significantly. We are planning ahead, implementing a new foreign exchange management policy and liaising closely with our largest donors, but to insulate us from such shocks in the future we need to raise more money to fund effective delivery of our programmes.

STRATEGIC OBJECTIVES AND ACHIEVEMENTS IN 2008

Four strands run through all of FARM-Africa's project work:

- ***testing and developing good practice in technology, partnership and process in order to transform lives;***
- ***changing policy to remove the barriers to shared learning and agricultural improvement;***
- ***sharing our expertise with others through training and technical support; and***
- ***raising awareness to improve public understanding and support for investment in agricultural development.***

In this way we not only help create solutions to rural African poverty, but we also remove the barriers that prevent others taking them up, meaning that the impact of our work is felt by many times the number of people that FARM-Africa is able to reach directly through our field projects. Many powerful examples of the effectiveness of this approach are contained in the following pages, and also in our Annual Review, which can be downloaded from www.farmafrica.org.uk

During 2008 FARM-Africa has produced a new three year business plan for 2009 – 2011 and this has given us an even greater focus for our activities. As an expert organisation with skilled staff and progressive programmes we plan to increase our impact on the lives of rural farmers and herders whilst maintaining our excellence in programmatic work over the coming years. Our ongoing work in the areas of Pastoral Development, Community Forest Management and Smallholder Agriculture continues to expand through growing our own portfolio of projects and through exploring opportunities to scale-up our good practice, either within FARM-Africa itself or through working with others.

As part of our increased focus on cost effective impact we have defined three classes of beneficiary within FARM-Africa, and counted them for 2008, to give us a benchmark for progress into 2009 and beyond. We divide our beneficiaries into 3 groups, as follows:

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

- **Direct beneficiaries** - individuals and families with whom FARM-Africa directly interact and who have received a specific identifiable benefit such as livestock, or credit to start a business;
- **Service level beneficiaries** - individuals and families gaining a benefit from a service that FARM-Africa has helped to establish, such as livestock breeding services, or treatment of their animals by a Community Animal Health Worker
- **Wider community beneficiaries** – community members who indirectly benefit from work done within our projects, such improved local forestry conditions or changes in government policy.

For 2008, we estimate that our work touched the lives of over 3.1 million people, with 510,000 people benefiting directly, 600,000 people benefiting from a FARM-Africa service, and approximately 2 million people in the wider community benefiting indirectly from FARM-Africa's work. We will continue to standardise the methods used to count beneficiaries across our projects in 2009, and believe that this will be a useful tool for quantifying the impact of FARM-Africa's work for the future.

Scaling up FARM-Africa's impact

At the heart of our strategy is the belief that we can achieve more impact for our beneficiaries if the valuable lessons that we have learnt through our grass roots work are shared, adapted and replicated as widely as possible. The fruits of this approach are now becoming clear through the initiation of a number of highly influential partnerships which will bring the benefits of our agricultural models to many millions of rural Africans.

Our strategy of increasing partnerships with other organisations to ensure that greater numbers of individuals benefit from our organisation's collective experience has been highlighted in an exciting new global partnership with the Global Alliance for Livestock Veterinary Medicines (GALVmed).

We are a founding member of GALVmed, and part of an initiative to ensure that advances in livestock vaccines and medications are shared with farmers dependent on their animals for their very survival. "Protecting Livestock, Saving Human Life" is a three year project focused on making vital animal health products accessible and affordable to the poorest livestock keepers. We will be using our experience to communicate advances in animal health care with farmers and to ensure their needs are heard through our Community Animal Health Network (CAHNET). An alliance of partners, GALVmed is committed to hearing livestock keepers and to offering them a voice. We are also undertaking a feasibility study of an innovative approach which could scale up our Community Animal Health Worker network across the whole of East Africa.

The three year partnership has been funded by GALVmed through the Department for International Development and the Bill and Melinda Gates Foundation.

TESTING AND DEVELOPING GOOD PRACTICE IN TECHNOLOGY, PARTNERSHIP AND PROCESS IN ORDER TO TRANSFORM LIVES

In 2008 we continued to develop, refine and validate agricultural practices with real impact through our grassroots projects. FARM-Africa made some excellent progress during the year and will continue to develop models of agricultural good practice that will make demonstrable improvements to the lives of over 3 million people in 2009.

Smallholder development

Smallholder agriculture is the main livelihood for 85% of rural Africans. The majority of smallholder farmers rely on less than one hectare of land to support their livestock, feed their families and grow surplus crops for sale. Greater investment in smallholder farming is the main pathway out of poverty for millions of people in Africa.

FARM-Africa has been supporting poor families on small farms to improve their lives for the past 25 years and has developed a wide range of experience and models of good practice as a result. Where FARM-

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

Africa has tried and tested approaches we find diverse ways of scaling them up to reach a wider group of poor farmers.

FARM-Africa's Goat Model

Our Goat Model has been developed in consultation with farmers, veterinary professionals and government staff and by using over 19 years experience gained through project work in Ethiopia, Tanzania, Kenya and Uganda. This model has already changed the lives of thousands of rural Africans. Our approach involves communities in cross-breeding livestock, sets up animal health support networks and provides training in areas of goat-husbandry such as appropriate housing and fodder – goats are confined and stall fed in order to improve their care and to reduce their environmental impact. We also train Community Animal Health Workers (CAHWs), members of the local community, to provide basic animal health support to the community's animals. Farmers are then able to produce crossbred dairy goats with much higher milk yields than local goats, allowing them to feed their families, sell surplus milk for much needed income and in some cases move into small scale economic activity such as cheese-making.

We began a second phase of our Kenya Dairy Goat and Capacity Building Project in early 2008 in order to continue testing the Goat Model in more arid regions of East Africa. We are now working in the Kyuso district of eastern Kenya in addition to our original project sites, working directly with 1,050 poor households and indirectly benefitting over 30,000 other households in the Kitui, Mwingi and Kyuso districts. In order to ensure the sustainability of this work we are working closely with farmers' associations to enable them to take up the model themselves and to build their own livelihoods in the long term.

Late 2008 was characterised by a lack of sufficient rainfall in Kitui, Mwingi and Kyuso which led to water shortages, crop failures and high food prices. Thanks to our strong relationships with these communities we were able to respond quickly to the changing weather. We established 32 water points within communities and trained people in how to maintain them to ensure that both people and animals were able to survive the uncertain environmental conditions. We trained communities in silage-making and helped our beneficiaries to plant fodder trees so that the goats had adequate and appropriate food. We also trained 42 new breeders and buck keepers and established local breeders' associations, ensuring the continuation of the work once our project comes to an end. Our CAHWs also continue to have an incredible impact in the region. To date, 21 CAHWs have attended 24,636 cases in their communities which in turn has benefited the livelihoods of some 14,000 farmers.

Our work in Kitui, Mwingi and Kyuso to date suggests that the Goat Model has the potential to work well in arid areas, but must be flexible and quickly adaptable in order to deal with the challenging environmental conditions. This second phase of our project will continue into 2010, looking closely at these issues and building our understanding further.

Young Farmers work in Kenya

During 2008 we developed a new project focusing on young farmers in the Trans-Nzoia East District in the Rift Valley province of Kenya. This project will increase youth empowerment through sustainable agriculture and builds on learning from our long standing work with young farmers in South Africa, returnee farmers in Southern Sudan and young people in Northern Tanzania. This work will develop a model specific to youth, livelihoods and HIV which we hope will be widely applicable to other areas in East Africa. We are currently seeking funding for this project, and plan to begin work on the ground during 2009.

Women's Enterprise and Development Project, Ethiopia

External evaluators reinforced the huge impact of FARM-Africa's work through the Ethiopian Women Enterprise and Development Project during 2008. We received a glowing report highlighting the significant impact that the project had on the lives of the women we worked with in terms of their economic and social security. An independent evaluator said: *"What is striking about the changes in asset and housing quality is that while all of the project participants were classified as belonging to the poorest of the poor at the outset of the project, the majority have climbed two classifications and now belong to the 'medium' classes."* Food consumption has also increased with 82% of the women and their families involved in the project now eating three meals a day compared to only 32% three years ago.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

Valuable lessons learnt through the project have informed the next stage of our work in this area. The newly launched Rural Women's Empowerment Project will assist women in the Oromiya and SNNP regions of Ethiopia to improve their economic status and to increase access to legal information.

Post conflict model in Southern Sudan

The South Sudan Livelihood Recovery & Development Programme began in Gogrial West County in 2006 and is designed to assist vulnerable households to develop sustainable livelihoods and reduce their reliance on food aid. This effective project was expanded during 2008 to the neighbouring county of Aweil South. This work is informing the development of a post conflict model for improving livelihoods which will have wide applicability in other areas of Africa.

We consolidated our work with local livestock keepers during the year and trained 69 new farmers to become CAHWs, providing them with the appropriate drug kits, and ensuring a further 51 CAHWs who had previously been trained received refresher training. During 2008 these CAHWs have helped us to vaccinate over 98,775 animals against a range of diseases, improving household security for local people. In order to make sure that the project is successful in the long term we also dug five boreholes to provide essential water for people and livestock alike and trained local people to maintain and repair these.

Maendeleo Agricultural Technology Fund (MATF)

FARM-Africa's Maendeleo Agricultural Technology Fund (MATF) is a grant giving fund that develops innovative agricultural technologies that are transferable, sustainable and sensitive to local environment and economic situations for smallholder farmers across the region. We distributed the fifth round of funding in 2008, looking particularly at projects that link local communities to nearby markets. We funded four organisations to work in areas as diverse as Namatumba district, Uganda, Masasi district, Tanzania and Homabay district in Kenya.

During 2008 we commissioned an independent evaluation of the lessons, outcomes and impacts of the whole of MATF's work which showed the remarkable impact that the fund is having on farmers and their communities. The evaluator said; *"As can be seen there is a wide variation, but a very positive story, with median increase in yields of 400 per cent and median increase in incomes of 500 per cent...Our analysis suggests that MATF has been highly successful in fulfilling its goal that is, improving the livelihoods of small holder farmers and herders."* Overall the report concluded that for every dollar invested in MATF projects, the return in terms of increased farmer income has ranged from \$1.30 to \$24 US – an amazing result, giving clear evidence of the effectiveness of the new technologies supported by the fund.

Looking to the future, MATF is now seeking funding to expand a number of its most successful projects to scale up their impact to the widest possible audience. We are planning to develop a loan scheme for smallholder farmers to sit alongside the existing small grants programme and the funding process for this exciting new phase is underway. We are also undertaking a feasibility study looking at the viability of extending the MATF approach into Ethiopia, and hope to establish a fund there as a result in 2009.

Participatory Forest Management

Our experience in forest management has allowed us to develop extremely effective strategies for marrying the interests of communities living in and around fragile forest environments with those of local and national governments, to ensure the protection of forests in the long term. We establish forest management plans together with local communities and help them to gain an understanding of how best to balance income generation with ways of protecting the forest for the future. We help communities to explore alternative ways of earning money without harming the environment through bee keeping, harvesting wild coffee and establishing small eco-tourism businesses.

The Participatory Forest Management Programme (PFMP) in Tanzania and Ethiopia successfully came to an end in 2008 and the learning from this project is being shared with government extension workers and communities to scale up our model in these two countries at the request of the two governments. The external evaluation confirmed that communities are enthusiastically taking-up management of the forests, and forest and general biodiversity and environmental conditions are starting to improve as a result.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

Scaling up in Tanzania

We used our learning from PFMP in Tanzania to develop a significant new forestry project with an emphasis on working with women and young people during 2008. We were delighted to be successful in our application for funding for this project to the European Union, and we can therefore begin work in this exciting area in 2009. This work will further refine the use of the Participatory Forest Resources Assessments, and will develop new ways to identify and establish sustainable forest based livelihoods.

During 2008 our ongoing forestry work in Tanzania was focussed on promoting bee keeping as a viable livelihood. We held a number of awareness raising meetings and established 12 bee keeping groups as a result. Each group received training in establishing savings and credit schemes and opened their own bank account. We also established a demonstration site to allow the groups to compare the efficiency of honey production using modern technologies with traditional technologies. We will continue this work in 2009 by supplying the groups with their own hives and starting full scale honey production.

Strengthening Sustainable Livelihoods and Forest Management in Ethiopia

The impact of our work together with our partner SOS Sahel in the Bale National Park in southern Ethiopia has continued to increase during 2008. Activities have included promoting bamboo for making furniture as a sustainable livelihood option and increasing communities' sense of ownership through the creation of Participatory Forest Management Plans.

We also began to study the viability of placing an economic value on the carbon tied up in the forest managed by the Bale community. This ground breaking idea, if successful, could generate significant income for the community and secure both their livelihoods and the forest for the future.

We used our learning from PFMP in Ethiopia to develop a new project for 2009-2010 entitled 'Strengthening Sustainable Livelihoods and Forest Management' which aims to expand the sustainable management of Ethiopia's forests through bringing the PFMP approach to new areas. A key goal of this project is to encourage the government to take up the FARM-Africa forestry management model to improve the livelihoods of all forest dwelling communities within Ethiopia. 200,000 indigenous people depend directly on the forest and we believe that nearly three million forest users will feel the impact of this work if we are successful. We are currently in the final stages of securing funding for the project and expect to begin work in mid-2009.

Pastoralism

FARM-Africa works with pastoralist communities across East Africa and Ethiopia to help them maintain their traditional way of life while generating income to support themselves and their families. We set up Mobile Outreach Camps to reach remote communities and allow them to remain nomadic while having their needs met, help communities form their own plans to improve their livelihoods, and support Community Development Funds and Village Savings & Loan schemes to allow them to put these plans into practice. We are now working with pastoralist groups to help them plan for environmental disasters such as severe droughts and flooding which these communities face with increasing frequency and intensity.

Ethiopian pastoralist work

Our longstanding work within the Ethiopian Pastoralist Project informed the development of new project pastoralist communities in South Omo during the year. The project works with pastoralists to develop early warning systems and strategies to cope with natural disasters which occur frequently in this remote area.

Our commitment to improve the lives of pastoralists in the Afar region of Ethiopia brought food and income to these communities by helping them to manage the natural resources around them more effectively. Precious range land for cattle is currently being overrun by an invasive plant called Prosopis. We have been working with local communities to help them to understand how best to clear this plant, to prevent re-invasion of the cleared land and to sell by products of the plant to increase income. Through this simple but effective project FARM-Africa is improving the lives of 4,435 pastoralist households.

Northern Kenya

Our long term work with pastoralists in northern Kenya is now entering an exciting new phase. We are developing links between communities, credit facilities and local markets and training pastoralists in how to get the best value for their livestock, how to market livestock products such as milk, and how to establish bee keeping as an income generating activity. One of the many pressures on these often marginalised communities is limited access to a reliable water source which can lead to water stress and potential conflict. We are working to improve water resources to reduce this pressure and increase access to safe water for people and their animals.

Tanzania

We also used our knowledge of working with pastoralist communities to reach out to new communities in northern Tanzania in 2008 as part of our ongoing Northern Tanzania Pastoralist Project. FARM-Africa is working with the Hadzabe indigenous communities both to improve their access to water and to introduce bee keeping to interested communities. This is particularly challenging as the Hadzabe have traditionally followed a hunter gatherer lifestyle and have little experience of practising agriculture. We are working very carefully to ensure that the Hadzabe have control over their own futures, rather than being forced into a different lifestyle through land encroachment and the impact of other settled communities. By improving their access to water and food we work not only to improve livelihoods but also crucially to empower the Hadzabe to become more aware of land rights issues and the role they can play within local government. In 2008 1,793 families in three villages felt the impact of having more resources to build their own futures with dignity.

IMPROVEMENT IN RELEVANT GOVERNMENT POLICIES THAT INHIBIT THE UPTAKE OF GOOD PRACTICE AND PRIORITISATION OF AGRICULTURE IN PUBLIC SECTOR EXPENDITURE AND POVERTY REDUCTION STRATEGY PAPERS.

FARM-Africa has continued to work to improve the policy environment during 2008, influencing change at regional levels within individual countries and taking an active role in influencing high level international debates of the importance of agricultural development.

Changing land policy in Tanzania

Our work has received critical acclaim from the land development division of the Tanzanian Government which has publicly recognised the role that FARM-Africa has played in influencing a village land act and bringing better land use planning to three districts: Babati, Hanang and Mbulu. Through this project work community members secured the legal rights to their small holdings, thus reducing land conflicts and allowing farmers to secure small loans on their property to invest in developing their business.

Influencing livestock breeding in Kenya

In Kenya we met with the National Animal Breeding Taskforce, sharing our expertise on livestock provision to help inform the Kenyan national policy on animal breeding. We continue to ask for the importation ban which currently restricts the importation of dairy goats from certain countries to be lifted, as this presents a serious barrier to the scale up of our Goat Model.

National forestry guidelines in Tanzania

Our growing expertise on participatory forest management has been called upon by the Tanzanian government to help develop national guidelines for joint forest management policy and policy relating to community based forest management.

Ethiopian Forestry Act

FARM-Africa's expertise in participatory forest management in part informed the new forestry act that was passed by the Ethiopian Government in 2007. During 2008 FARM-Africa continued to work with the authorities to help embed the participatory forest management approach in the country.

SHARING OUR EXPERTISE WITH OTHERS THROUGH TRAINING AND TECHNICAL SUPPORT

Agricultural and Environmental Education Project, Tanzania

During 2008 we expanded our successful Agricultural and Environmental Education Project, based in the Babati district of northern Tanzania, allowing us to reach even greater numbers of families. The project

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

uses “discovery learning”, a teaching technique whereby practical agriculture lessons are combined with the standard curriculum. This approach ensures that school attendance offers useful lessons for families in an area where most children go on to become farmers. In 2008 the project was expanded and adapted into the pastoralist area of Hanang district.

Katine Community Partnerships Project

FARM-Africa’s role in the highly innovative Katine Community Partnerships Project underlines the value of our experience of working with rural communities. FARM-Africa has become a technical adviser to the livelihoods element of this influential project which is being run by AMREF and The Guardian newspaper.

We are working with hundreds of farmers in small research groups in 18 of the 66 villages in Katine, Uganda, using improved technology to increase their crop and livestock production. We are also working to improve the price farmers receive for their goods by accessing new local and national markets. We are looking forward to seeing the impact of this work in the second year of the project when the first harvests of improved cassava will boost household food security and income.

Training and advisory work with animal health in Kenya

Part of FARM-Africa’s strategy to develop partnerships with other organisations to help to scale up the impact of our knowledge and experience has been taken up in western Kenya with Oxfam Novib during the year. We are using our expertise in delivering sustainable community based animal health systems and dairy goat management as part of a large programme to bring about sustainable improvements in livelihoods in the area.

Community Animal Health Network (CAHNET)

Our CAHNET project links livestock herders, animal health practitioners and institutions together to share their experiences of good animal health practices. The project improves the knowledge and practical skills of participants, who then go on to improve animal health in their regions.

Since its establishment in 2001 CAHNET has developed into an effective network of community animal health practitioners and with funding from GALVmed it is now fully funded for 2009 - 2011. CAHNET is building its membership base, involving private companies to help develop pan-African standards in community-based animal health systems.

FARM-Africa informing national strategies

In northern Kenya FARM-Africa joined with the Kenyan Agricultural Research Institute (KARI) to share lessons learnt in animal health particularly in information sharing, livestock marketing and setting up local development committees with communities. This allowed us to share our expertise with national institutions and other partners to help inform their future practices.

Government officials from Botswana, Mozambique, Tanzania and Namibia also visited FARM-Africa’s Northern Tanzania Pastoralist Project during 2008 to see our work developing land use planning in pastoralist communities. The participants acknowledged that FARM-Africa’s approach is regarded as one of the best examples of land use planning taking place in Africa today.

INCREASED UNDERSTANDING OF, AND ENGAGEMENT IN, AFRICAN AGRICULTURAL DEVELOPMENT AMONG THE PUBLIC, MEDIA, COMPANIES AND ORGANISATIONS IN THE NORTH AND SOUTH, IN ORDER TO FACILITATE THE DEVELOPMENT AND SCALING-UP OF FARM- AFRICA MODELS

All Party Parliamentary Group on Food and Agriculture Development

In the international arena FARM-Africa is making sure that the voices of Africa’s farmers are heard. We are a founding member of the newly launched All Party Parliamentary Group on Food and Agriculture for Development (APPG) in the UK.

The APPG was formed in response to growing concerns over the heightening food crisis and a steady decline in the funding of relevant agricultural research. This group is already an influential platform, drawing attention to global policy issues relating to food and agriculture development. It has managed to draw several globally influential players in the food and agriculture sector to give evidence, including the Director

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

General of the Food & Agricultural Organisation (FAO) and Vice-President of the Alliance for Green Revolution in Africa (AGRA). As about 85% of all Africans depend on agriculture in one way or another for their livelihood, this forum provides an invaluable contribution by pushing for coherent action on relevant policy issues. FARM-Africa will continue to engage actively with the APPG in the future.

Katine Community Partnerships Project

FARM-Africa's work within the high profile Katine Community Development Project reached its first year milestone with The Guardian dedicating both print and online coverage to the project following the challenges and successes experienced in this type of work. FARM-Africa's approach and rationale has been widely discussed, allowing us to engage in exciting debates with the public and reaching a huge number of readers around the world.

The Africa 100 Appeal

Long-time FARM-Africa supporters, the National Farmers Union (NFU), launched The Africa 100 Appeal in 2008. This fundraising appeal marked the centenary of NFU and united the UK farming industry to raise funds to help increase sustainable food production in East Africa.

The appeal raised media interest particularly amongst the UK farming media, and a feature on BBC Radio 4's *Farming Today* showcased the visit of the journalist Matthew Naylor to a number of FARM-Africa projects in central and western Kenya. Matthew, a farmer himself, met local farmers and learnt about the challenges they face producing enough staple food crops to feed their families. The UK farming trade press heavily featured the appeal including features in *Farmers Weekly* and *The Farmers Guardian*.

Maendeleo Agricultural Technology Fund

MATF's range of work was explored in a number of features in the specialist publication *Appropriate Technology*. These included features on rice growing both in Tanzania and Uganda, the use of maize silos in Kenya and the use of thermo stable vaccine to treat the Newcastle disease in chickens in Tanzania. MATF's work was also celebrated in many African publications including *The East African*, *The Standard*, *The Arusha Times* and *This Day*.

MATF has also produced a number of superb films giving insights into the scope and impact of the fund's work with farmers in eastern Africa. These films are online to ensure that the widest possible audience is able to access and learn from our expertise.

Public speaking and advocacy

FARM-Africa's Chief Executive was honoured to be asked to deliver a number of high profile lectures including the Ralph Melville Memorial Lecture to the Tropical Agriculture Association, giving a paper entitled "Unlocking the potential of Africa's farmers – the art of the possible." She also gave the opening lecture of the 9th International Conference on Goats in Queretaro, Mexico. Over 1,000 goat researchers and farmers attended the meeting where her speech "Sustainable Goat Production – some global perspectives" earned an enthusiastic reception.

FARM-Africa has also been making its voice heard in the area of smallholder farming as a founding member of the African Smallholder Farmers Group. This group was set up in 2008 with a number of leading NGOs to ensure that there was a shared approach to advocacy for smallholder farmers in eastern Africa. In 2009 the group will be publishing a report targeted at institutional donors to lay out the way to address the problems faced by smallholder farmers.

Our Chief Executive was also invited to join the advocacy panel for the International Food Policy Research Institute's (IFPRI) new project "Millions Fed": Proven Successes in Agricultural Development". This initiative will document evidence on agricultural development that has successfully reduced hunger and poverty.

HOW DID WE DO AGAINST OUR 2008 OBJECTIVES?

We set ourselves a number of objectives for 2008, and we are pleased to report that we have achieved the majority of them. Where objectives have not been achieved in the most part this is due to the timing of securing and receiving funding and activities will be undertaken as soon as funds become available in 2009.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

To continue to develop, refine and validate agricultural practices with real impact through our grassroots projects: Once again, we have made some exciting steps forward in most of our agricultural models during the year, many of which are outlined in the previous pages of this report.

To launch the next phase of the Maendeleo Agricultural Technology Fund: We have not yet launched the next phase of MATF as funds are not yet in place to enable us to do so. However, the new grant and loan schemes have been planned and we expect to launch them during 2009. We have recently secured funding to scale up our first project based on MATF tested technology and we expect to start this work in mid-2009. We are also currently undertaking a feasibility study of extending the MATF approach to Ethiopia, which will reach a conclusion in early 2009.

To expand our project work in Southern Sudan to increase its impact for rural Sudanese farmers: We achieved this objective during 2008, as we expanded our project work to Aweil South in Southern Sudan, bringing the benefits of FARM-Africa's approach to a total of 112,000 people in Aweil South and Gogrial West.

To develop our work with young people by planning and launching a new youth-focused project in western Kenya: This project was fully planned in 2008, but we were unable to begin work as long term funding has not yet been secured. We expect to be able to begin work in this area some time in 2009.

To form new partnerships with other organisations to enable us to scale up the impact of our work: We have been particularly successful in this area in 2008. Our partnership with GALVmed is already bearing fruit, and will enable us to reach many, many millions more people than we could do alone. We are also proud to be partnering with the NFU through the Africa 100 appeal, which has helped us raise much needed funds for MATF and also provided a practical route for UK farmers to support their colleagues in Africa.

To increase our unrestricted reserves and improve financial sustainability: We have made strong progress against this objective during 2008. We have posted an unrestricted surplus for the year, thus increasing unrestricted reserves from £330,000 to £416,000 at 31 December 2008. We have also implemented a new fundraising strategy which is focussed on integrating both restricted and unrestricted funding plans and diversifying the sources of our unrestricted income, and strengthened our financial forecasting and risk management systems. All of these activities allow us to plan more effectively for the future and have improved our long term financial sustainability as a result.

To produce more evidence of the impact of our work: We have partially achieved this objective during the year. We have participated in a number of external evaluations which have produced strong evidence that our work both has great impact and is cost effective. This evidence is of the utmost value in planning new projects, influencing others to scale up our models and our ongoing discussions with international opinion formers. We will continue to work on this area in 2009, with the aim of introducing a system that will generate concrete evidence of impact across our whole portfolio of projects.

FINANCES

Overview

The swift action taken in 2007 to improve our financial position has paid dividends in 2008. We have increased our total income by £359,000 and felt the full benefit of the cost saving measures put into place last year which, together with a change in the timing of receipt of restricted funds, has led to an overall surplus of £112,000 for the year.

Our charitable income and expenditure can be divided into two types depending upon the conditions placed on us around its expenditure – restricted and unrestricted funds. We generated a **restricted surplus** of £26,000 in 2008, made up of a significant increase in restricted income, from £2.7 million to £4.1 million, offset by a matching increase in restricted expenditure on our work in the field. This reflects both a number of new projects and grants coming on stream in the year and a planned shift in the funding of our programmes from unrestricted to restricted donors. The restricted deficit of £1.1 million recognised

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

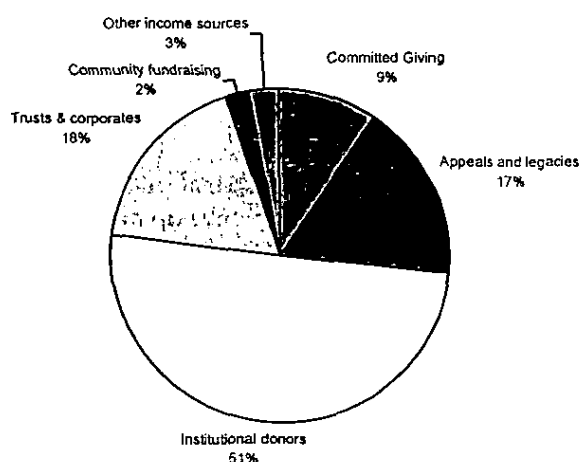
in 2007 relates solely to timing differences between the receipt and expenditure of funds, and falls within acceptable operational parameters.

We generated an **unrestricted surplus** of £86,000 in 2008. Overall our unrestricted income decreased by £1.1 million in the year. However, our net unrestricted income (after the deduction of fundraising costs) decreased by only £258,000, from £1,592,000 to £1,334,000. This reflects the impact of some generous legacies received in 2007 and also a change in fundraising activity. In 2007 we tested a number of methods of acquiring new individual donors, but we suspended that activity in 2008 in order to review our strategy in the area. This led to a fall in fundraising income in 2008 but also a significant decrease in related fundraising costs, leading to a minimal impact on net income for the year. We are restarting donor acquisition in 2009 with a new strategy in place. In fact once the impact of one-off legacies has been taken into account the fundraising team has increased its net contribution to the organisation year on year by around £240,000, a great result in what continues to be a challenging fundraising environment. Our unrestricted costs for the year excluding fundraising costs decreased from £2.3 million in 2007 to £1.2 million in 2008, both as a result of cost-cutting measures taken in autumn 2007 and the shift in donor funding of programmes, referred to above. We consider that our ongoing unrestricted costs are now much more closely matched to our sustainable unrestricted income, a key factor in securing FARM-Africa's financial stability.

The unrestricted surplus for the year has also allowed us to begin to rebuild our **unrestricted reserves**, from £330,000 at 31 December 2007 to £416,000 at 31 December 2008. We will continue to rebuild these funds over the coming years until reserve levels are in line with our reserves policy.

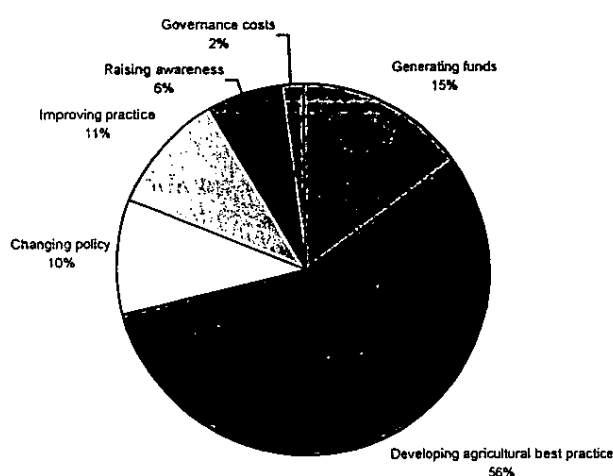
In summary, we begin 2009 in a far stronger position financially than we did 2008. We are of course facing a number of external financial challenges, in particular the weakening of sterling against the Euro, the US dollar and our African operating currencies. However we continue to improve our forecasting and risk management processes, and this together with the strategies and actions underpinning our 2009 – 2011 business plan allows us to continue to look forward with confidence and excitement to the years ahead.

Where does the money come from?



Compared to 2007, total income for the year is up by £359,000 (6%) to £6.48 million. The significant decrease in income from appeals and legacies, discussed above, has been more than offset by an increase of £1.2 million in funds received from institutional donors, reflecting the strong support these key organisations continue to show for our work. The decrease in appeals and donations has already been discussed above – one off factors mask a solid underlying performance from the direct marketing team. We continue to show pleasing growth in both our trusts and foundations and corporate income streams, with corporate income increasing by 6% and trusts and foundations income increasing by 21% in the year. As always we remain exceptionally grateful for the support of all our donors and would like to thank them for their enthusiasm and support for our work.

And what have we spent it on?



Compared with 2007 total expenditure for the year is down by £1.5 million (19%) to £6.4 million as a result both of the restructuring programme undertaken in the autumn of last year, and the temporary suspension of donor acquisition activity within direct marketing. Just over £5.2 million (83%) of that expenditure was made on direct charitable activities supporting the implementation of our vision, compared to £5.8 million (74%) in 2007. This is a notable result in the context of an overall reduction in expenditure of £1.6 million, and reflects our commitment to minimise the impact of the restructuring programme on our beneficiaries. Costs of generating funds have decreased significantly from £1.8 million to £1 million, representing 16% of total expenditure for the year. Governance costs have also decreased by £131,000 (52%) in the year, due to the inclusion of £91,000 of restructuring costs in the 2007 figure.

PLANS FOR THE FUTURE

FARM-Africa's key organisational objectives for 2009 are:

To continue to develop, refine and validate agricultural practices with real impact through our grassroots projects. FARM-Africa will continue to develop models of agricultural good practice that make a demonstrable improvement to the lives of over 3 million people.

To produce a feasibility study for significant scale-up of our CAHW approach and the private delivery system for veterinary services, and to seek funding for that scale up if appropriate. We believe that FARM-Africa is well placed in 2009 to begin an exciting new project that will scale up our impact on animal health across the whole of East Africa. We will undertake a feasibility study to test this belief in early 2009 and begin to seek funds to start the project during the latter part of the year if the feasibility study supports that course of action.

To launch the next phase of the Maendeleo Agricultural Technology Fund. We carry over this objective from 2008 as we believe it to be fundamental to the success of our Smallholder Agriculture programme in the coming years. We will offer a new range of competitive grants to strengthen the whole market chain to help farmers move from subsistence to farming as a business. We will launch a loan scheme for smallholder farmers to invest in growing their own successful enterprises and add new projects based on MATF tested technologies to our fieldwork programme. We will also launch MATF in Ethiopia, if the feasibility study currently being undertaken supports that course of action.

To review the strategy for our pastoralist work for 2010 and beyond. FARM-Africa has been working with pastoralists in Ethiopia, Kenya and Tanzania for many years now, and yet pastoralists remain

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

some of the poorest and most marginalised people in East Africa. We will review our approach to working with pastoralists in 2009, with the aim of increasing our impact in this area of our work and helping to lift more pastoralists out of poverty in future.

To strengthen our forestry programme by launching new phases of work both in Tanzania and in Ethiopia. We will launch significant new forestry projects in both Tanzania and Ethiopia during the year, expanding the impact of our forestry programme to reach another 290,000 people and bringing a further 90,000 hectares of forest under the participatory forest management approach in Ethiopia alone.

To produce comprehensive evidence of the impact of our work. We made important progress in this area in 2008, and will build on this in 2009 by continuing to strengthen our monitoring and evaluation systems across all of our projects.

To maintain our unrestricted reserves and improve financial sustainability. We plan to maintain our unrestricted reserves levels during the year, balancing the requirement to increase reserve levels with the need to fund key activities to allow FARM-Africa to continue to grow and thrive. We will improve financial sustainability by further developing our forecasting systems, reviewing our systems for managing foreign exchange fluctuations and securing increased levels of institutional funding for our projects.

To increase the organisation-wide impact of our support services. We will ensure that our support services are being deployed as effectively as possible across the organisation by reviewing our HR and IT strategies and prioritising strategically vital projects in these areas.

LEGAL STRUCTURE AND CHARITABLE OBJECTS

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). Its objects and powers are set out in its Memorandum and Articles of Association. FARM-Africa has one subsidiary company, FARM-Africa (South Africa) Limited, whose results are consolidated into these group accounts.

FARM-Africa's main charitable objects are as follows:

- to relieve the poverty of farmers, agricultural workers and herders by 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 and 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 industries allied thereto.

GOVERNANCE AND ORGANISATIONAL STRUCTURE

FARM-Africa's officers and advisers are as shown on pages 3 & 4 of this report.

Sir Peter de la Billiere KBC KBE DSO MC MSC DL, Mr Michael Palin CBE and Lord Plumb of Coleshill DL kindly agreed to continue as patrons of FARM-Africa during 2008. 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. One new trustee was recruited in 2008, following on from the Board's skills audit undertaken in 2006. Cary Ngini began his career with Lloyds of London, and has since managed a number of businesses in his home country of Kenya. He is currently the Chairman and CEO of Archive Solutions Ltd, Kenya's first record management company. Carey has also served on the boards of various companies in Kenya involved in insurance, banking and education and has been involved in several

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

charitable organisations. New trustees receive a personalised induction, including briefings from the Chair, Chief Executive and other Senior Management Team members. They are also 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, as and when specific training needs are identified.

Norman Coward retired as trustee and Treasurer on 25 June 2008. Richard Lackmann has succeeded him as Treasurer and Chairman of FRAC. Dr Paul Zuckerman also stepped down as a trustee during the year. We thank Norman and Paul very much for their many years of unstinting service on behalf of FARM-Africa, and for their continued support to the organisation.

The Finance Remuneration and Audit Committee (FRAC) meets regularly under the chairmanship of Richard Lackmann, FARM-Africa's Treasurer. FRAC normally includes 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 implementation of actions required as a result. FRAC also undertakes a detailed review of the annual budget, quarterly management accounts, the risk register and the annual report 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) continued its work during the year under the chairmanship of Professor Peter Hazell. PAC includes at least two trustee members, together with external members from a wide range of disciplines. It has two main 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 a 'sounding-board' and advice on aspects of its programme work.

The Board also formalised the terms of reference and membership of the Nominations Committee during the year. The Nominations Committee is chaired by The Lord De Ramsey DL and consists of not less 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.

FARM-Africa (USA) is a registered 501(c) 3 non-profit organisation with its own board of directors. FARM-Africa's Chief Executive serves on the FARM-Africa USA board to provide a link to the US operation.

FARM-Africa (South Africa), registered as a South African company in 2005, is a subsidiary of FARM-Africa, which retains a controlling interest in the company. During 2008 the FARM-Africa (South Africa) office finally closed with all the remaining assets being shared amongst partners and other local NGOs. An independent report recognised the value of FARM-Africa (South Africa)'s contribution to the people we worked with. *"During the implementation of FARM-Africa (South Africa)'s projects and in partnership with Legal Resource Centre, land reform beneficiaries have been supported in their efforts to acquire land rights. Access to crucial assets through Livestock Banks and skill-development training has resulted in significant increases in the value of their incomes and livelihood improvement in general (through knowledge acquisition, higher levels of confidence and general wellbeing)."*

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; and
- to enable FARM-Africa to invest in unforeseen funding opportunities should it choose to do so.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

The Board reviewed FARM-Africa's reserves policy during 2008, and determined that unrestricted reserves should fall at or around the level specified by the aggregate of the following three measures:

- three months' unrestricted expenditure;
- an assessment of income volatility, calculated based on forecast income streams and the estimated risk factors attached thereto; and
- 15% of annual unrestricted income forecast for the coming year

These measures implied a target for unrestricted reserves at 31 December 2008 of £932,000. Because of the financial issues experienced in 2007, unrestricted reserves at 31 December 2008 were £416,000 (2007: £330,000) and therefore below the target level. One of the key financial goals underlying the 2009 – 2011 business plan is to restore unrestricted reserves to a level much closer to the target required.

GRANT-MAKING POLICY

The Maendeleo Agricultural Technology Fund is a competitive grant-making fund open to any organisation in Kenya, Tanzania and Uganda. Calls for proposals are issued through advertisements in the press and notices sent to key institutions. Applicants are invited to submit a short concept note, which is screened by FARM-Africa for eligibility before being reviewed by an advisory panel. Successful applicants are invited to submit a full proposal for consideration by the panel. Those applicants submitting proposals that are approved for funding receive a field visit to assess the capacity of the lead organisation and verify the need for the grant. Successful applicants receive funding over a period of two to three years. FARM-Africa receives a final financial and narrative report when funding is complete.

In certain circumstances, FARM-Africa also makes grants to partner organisations and individuals, for example to Development Associations in Southern Ethiopia, in order to build up their capacity to plan, manage and report on small development initiatives, or to para-vets and animal health assistants in Kenya to help them establish their businesses.

RISK MANAGEMENT

The Board is responsible for ensuring that there is an appropriate procedure for the management of the risks faced by FARM-Africa. Detailed consideration of risk has been delegated to the Finance, Remuneration and Audit Committee (FRAC). Assisted by senior staff, FRAC 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. Key risks identified by the Board are in the areas of financial viability, the impact of foreign exchange rates and inflation on expenditure, adequacy of security arrangements in field activities and the effectiveness of HR management for our internationally dispersed staff.

The environment in which FARM-Africa works is inherently risky. 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.

Moreover, FARM-Africa is committed to innovation in both its operational programmes and management and administrative systems, 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. Both the Board and FRAC are aware of the strategy, and are satisfied that the management systems in place provide reasonable, albeit not absolute, assurance that identifiable risks are managed appropriately.

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 for the reappointment of Chantrey Vellacott DFK LLP as FARM-Africa's auditor will be proposed at the forthcoming Annual General Meeting.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group at the year end and the incoming resources and application of resources, including the income and expenditure for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and Statements of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005). They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

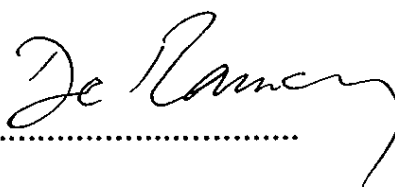
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the trustees are aware, there is no relevant audit information of which the 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 company's auditor is aware of that information.

ON BEHALF OF THE BOARD:

CHAIRMAN (THE LORD DE RAMSEY):

DATE: 20th May 2009



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

We have audited the group and parent company financial statements of FARM Africa for the year ended 31 December 2008 which comprise the Group Statement of Financial Activities (incorporating the Group Income and Expenditure Account) the Group and Charitable Company Balance Sheets, the Group Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the trustees and auditor

The responsibilities of the directors, who are also the charity trustees for the purposes of charity law, for preparing the annual report of the board of trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities on page 22.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the annual report of the board of trustees is consistent with the financial statements. We also report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOOD AND
AGRICULTURAL RESEARCH MANAGEMENT LIMITED (CONTINUED)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company and the group as at 31 December 2008 and of the group's incoming resources and application of resources, including the group's income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the annual report of the board of trustees is consistent with the financial statements.

Chantrey Vellacott DFK LLP

Chantrey Vellacott DFK LLP
Chartered Accountants and Registered Auditor

Russell Square House
10-12 Russell Square
London WC1B 5LF

Date: 20th May 2009

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING INCOME AND EXPENDITURE ACCOUNT)**

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds 2008 £'000	Total Funds 2007 £'000
Incoming resources from generated funds					
Voluntary income:					
Donations and legacies	2	1,637	69	1,706	2,776
Grants	2,3	330	4,062	4,392	3,039
Gifts in kind	2	64	-	64	30
Activities for generating funds	4	240	-	240	196
Investment income	5	38	-	38	55
Total incoming resources from generated funds		<u>2,309</u>	<u>4,131</u>	<u>6,440</u>	<u>6,096</u>
Incoming resources from charitable activities	6	7	18	25	21
Other incoming resources	7	<u>18</u>	<u>-</u>	<u>18</u>	<u>7</u>
Total Incoming Resources		<u>2,334</u>	<u>4,149</u>	<u>6,483</u>	<u>6,124</u>
Costs of generating funds					
Voluntary income:					
Donations and legacies	9	(754)	-	(754)	(1,557)
Grants	9	(163)	-	(163)	(161)
Activities for generating funds	10	(83)	-	(83)	(114)
Total Costs of Generating Funds		<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,832)</u>
Charitable activities					
Testing & developing agricultural best practice	11	(580)	(2,972)	(3,552)	(3,708)
Changing policy	11	(176)	(454)	(630)	(732)
Training & support	11	(209)	(462)	(671)	(1,014)
Raising public awareness	11	(162)	(235)	(397)	(386)
Total Charitable Activity Costs		<u>(1,127)</u>	<u>(4,123)</u>	<u>(5,250)</u>	<u>(5,840)</u>
Governance costs	13	<u>(121)</u>	<u>-</u>	<u>(121)</u>	<u>(252)</u>
Total Resources Expended		<u>(2,248)</u>	<u>(4,123)</u>	<u>(6,371)</u>	<u>(7,924)</u>
Net incoming/(outgoing) resources for the year	8	86	26	112	(1,800)
Transfers between funds	16	-	-	-	-
Total funds brought forward		<u>330</u>	<u>1,394</u>	<u>1,724</u>	<u>3,524</u>
Total funds carried forward	21 & 22	<u>416</u>	<u>1,420</u>	<u>1,836</u>	<u>1,724</u>

All of the above results are derived from continuing activities. There are no recognised gains or losses other than those stated above. The notes on pages 29 – 40 form an integral part of these financial statements.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

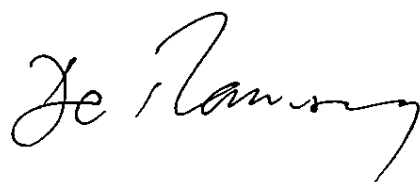
YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED BALANCE SHEET

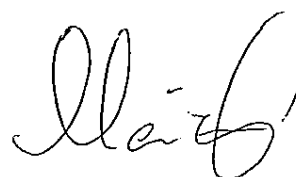
	Notes	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	17	<u>96</u>	<u>147</u>
CURRENT ASSETS			
Debtors	18	1,790	1,588
Short-term deposits held in UK		271	259
Cash at bank and in hand in UK		597	295
Cash at bank and in hand overseas		<u>286</u>	<u>228</u>
		2,944	2,370
Creditors			
Amounts falling due within one year	19	<u>(1,114)</u>	<u>(747)</u>
Net current assets		<u>1,830</u>	<u>1,623</u>
Total assets less current liabilities		1,926	1,770
Creditors:			
Amounts falling due after more than one year	20	<u>(90)</u>	<u>(46)</u>
NET ASSETS		<u>1,836</u>	<u>1,724</u>
FUNDS			
Restricted Funds	21	1,420	1,394
Unrestricted Funds			
General Funds		<u>416</u>	<u>330</u>
TOTAL FUNDS	22	<u>1,836</u>	<u>1,724</u>

Approved by the Board and authorised for issue on 20th May 2009
Signed on their behalf by:

Chairman:



Vice Chairman:



The notes on pages 29 to 40 form an integral part of these financial statements

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

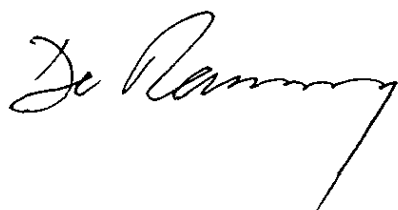
YEAR ENDED 31 DECEMBER 2008

COMPANY BALANCE SHEET

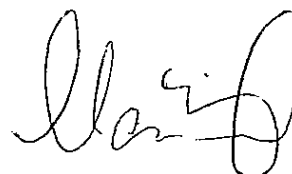
	Notes	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	17	96	147
CURRENT ASSETS			
Debtors	18	1,790	1,588
Short-term deposits held in UK		271	259
Cash at bank and in hand in UK		597	295
Cash at bank and in hand overseas		286	177
		2,944	2,319
Creditors			
Amounts falling due within one year	19	(1,114)	(747)
Net current assets		1,830	1,572
Total assets less current liabilities		1,926	1,719
Creditors:			
Amounts falling due after more than one year	20	(90)	(46)
NET ASSETS		1,836	1,673
FUNDS			
Restricted Funds	21	1,420	1,343
Unrestricted Funds			
General Funds		416	330
TOTAL FUNDS	22	1,836	1,673

Approved by the Board and authorised for issue on 20th May 2009
Signed on their behalf by:

Chairman:



Vice Chairman:



The notes on pages 29 to 40 form an integral part of these financial statements.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED CASHFLOW STATEMENT

	Notes	2008 £'000	2007 £'000
Net cash inflow / (outflow) from operating activities	A	333	(2,107)
Returns on investments and servicing of finance			
Deposit interest received		38	55
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(17)	(22)
Proceeds from the sale of fixed assets		18	6
Increase / (decrease) in cash		372	(2,068)
Net cash resources at 1 January		782	2,850
Net cash resources at 31 December	B	1,154	782

Notes to the cash flow statement

A. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2008 £'000	2007 £'000
Net incoming / (outcoming) resources	112	(1,800)
Depreciation	67	60
Profit on the disposal of fixed assets	(17)	(6)
Increase in debtors	(202)	(467)
Increase in creditors	367	151
Increase in provisions & creditors > 1 year	44	10
Investment income	(38)	(55)
Net cash inflow / (outflow) from operating activities	333	(2,107)

B. ANALYSIS OF CHANGES IN CASH DURING THE YEAR	2008 £'000	2007 £'000	Change in Year £'000
Short term deposits held in UK	271	259	12
Cash at bank and in hand in UK	597	295	302
Cash at bank and in hand overseas	286	228	58
	1,154	782	372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. 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 1985.

The results and balance sheet of the charitable company's sole subsidiary have been consolidated on a line by line basis.

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 general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees.

c) Incoming Resources

Voluntary income, including donations, gifts and legacies, gifts in kind and grants are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. In particular donation income is accrued for at the year end in order to match its receipt with the relevant expenditure incurred in running the respective campaigns.

Gifts in kind are included in the financial statements at an estimate of the cost borne by the giver of the gift based on the market value of the gift.

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.

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 for 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 income is recognised on a receivable basis.

Incoming resources from charitable activities represents income arising from publications sales, and is recognised as it is earned.

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 four strategic outcomes of testing and developing models of agricultural best practice, campaigning and influencing agricultural policy, improving agricultural practice through training and support and raising public awareness. 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 promotes fundraising from all sources including institutional donors, trusts, companies and individuals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. ACCOUNTING POLICIES (CONTINUED)

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 central functions, and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. allocating office property costs by floor area, and management and human resources costs by the time spent on each area.

(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. Monetary 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 question of ownership of such assets is subject to various agreements between the charitable company and the respective donor agencies. The initial cost of fixed assets purchased within the last three years and presently employed in current projects is referred to in note 17.

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
Plant & equipment	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.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. VOLUNTARY INCOME

	Unrestricted 2008 £'000	Restricted 2008 £'000	Total 2008 £'000	Total 2007 £'000
Donations and legacies				
Committed giving	601	-	601	629
Appeals and donations	1,003	69	1,072	1,587
Legacies	33	-	33	560
	<u>1,637</u>	<u>69</u>	<u>1,706</u>	<u>2,776</u>
Grants				
Institutional donors	-	3,235	3,235	2,045
Trusts and foundations	138	733	871	722
Corporate donations	192	94	286	272
	<u>330</u>	<u>4,062</u>	<u>4,392</u>	<u>3,039</u>
Gifts in kind				
Donated services	64	-	64	30
	<u>2,031</u>	<u>4,131</u>	<u>6,162</u>	<u>5,845</u>

3. GRANTS FROM INSTITUTIONAL DONORS

	Unrestricted 2008 £'000	Restricted 2008 £'000	Total 2008 £'000	Total 2007 £'000
Grants from institutional donors				
UK Government – Department For International Development	-	250	250	212
The Embassy of the Netherlands to Ethiopia *	-	539	539	529
Comic Relief	-	160	160	88
European Union	-	1,259	1,259	296
Cordaid	-	567	567	149
The Gatsby Foundation	-	98	98	189
Embassy of Belgium to South Africa	-	40	40	88
CARE Ethiopia	-	27	27	64
The National Development Fund of Norway	-	121	121	93
Other international agencies	-	174	174	337
	<u>-</u>	<u>3,235</u>	<u>3,235</u>	<u>2,045</u>

* The Embassy of the Netherlands in Addis Ababa represents a consortium of donors which also includes the Irish and the Norwegian governments.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted 2008 £'000	Restricted 2008 £'000	Total 2008 £'000	Total 2007 £'000
Community fundraising	139	-	139	129
Rent receivable	89	-	89	34
Merchandise sales	12	-	12	33
	<u>240</u>	<u>-</u>	<u>240</u>	<u>196</u>

5. INVESTMENT INCOME

	Unrestricted 2008 £'000	Restricted 2008 £'000	Total 2008 £'000	Total 2007 £'000
Deposit interest	<u>38</u>	<u>-</u>	<u>38</u>	<u>55</u>

6. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted 2008 £'000	Restricted 2008 £'000	Total 2008 £'000	Total 2007 £'000
Training & support – training fees & publication sales	<u>7</u>	<u>18</u>	<u>25</u>	<u>21</u>

7. OTHER INCOMING RESOURCES

	Unrestricted 2008 £'000	Restricted 2008 £'000	Total 2008 £'000	Total 2007 £'000
Proceeds from the sale of fixed assets	18	-	18	6
Other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>18</u>	<u>-</u>	<u>18</u>	<u>7</u>

8. NET INCOMING / (OUTGOING) RESOURCES FOR THE YEAR

This is stated after charging:

	Unrestricted 2008 £'000	Restricted 2008 £'000	Total 2008 £'000	Total 2007 £'000
Depreciation	67	-	67	60
Payments under operating leases	185	-	185	223
Auditor's remuneration	<u>18</u>	<u>-</u>	<u>18</u>	<u>17</u>

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. COSTS OF GENERATING VOLUNTARY INCOME

	Unrestricted 2008 £'000	Restricted 2008 £'000	Total 2008 £'000	Total 2007 £'000
Donations and legacies				
Fundraising costs	598	-	598	1,345
Support costs allocated (note 14)	156	-	156	212
	<u>754</u>	<u>-</u>	<u>754</u>	<u>1,557</u>
Grants				
Fundraising costs	132	-	132	120
Support costs allocated (note 14)	31	-	31	41
	<u>163</u>	<u>-</u>	<u>163</u>	<u>161</u>

10. COSTS OF ACTIVITIES FOR GENERATING FUNDS

	Unrestricted 2007 £'000	Restricted 2007 £'000	Total 2008 £'000	Total 2007 £'000
Community Fundraising costs	49	-	49	53
Merchandise costs	3	-	3	21
Support costs allocated (note 14)	31	-	31	40
	<u>83</u>	<u>-</u>	<u>83</u>	<u>114</u>

11. DETAILS OF CHARITABLE ACTIVITIES

	Operational Programmes £'000	Grants Payable £'000 (note 12)	Support Costs* £'000 (note 14)	Total 2008 £'000	Total 2007 £'000
Testing & developing agricultural best practice	2,514	538	500	3,552	3,708
Changing policy	423	116	91	630	732
Training & support	569	9	93	671	1,014
Raising public awareness	343	-	54	397	386
	<u>3,849</u>	<u>663</u>	<u>738</u>	<u>5,250</u>	<u>5,840</u>

* 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.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. GRANTS PAYABLE TO INSTITUTIONS

	2008	2007
	£	£
PARTICIPATORY FOREST MANAGEMENT PROGRAMME		
Ethiopia – SOS Sahel	474,511	532,556
Sub total Ethiopia	474,511	532,556
MAENDELEO AGRICULTURAL TECHNOLOGY FUND		
East Africa Regional – International Service for the Agro-Biotech Application	-	47,963
Sub total East Africa Regional	-	47,963
Kenya – Africa NOW	44,472	12,997
Kenya – Catholic Relief Services Kenya	-	16,464
Kenya – Coast Development Authority	-	7,730
Kenya – Community Development Fund Committee	-	14,696
Kenya – Community Development Fund Marsabit	-	15,102
Kenya – KDFA	27,625	-
Kenya – Farm Concern	26,535	13,934
Kenya – Kenya Agriculture Research Institute	-	23,352
Kenya – Sustainable Aid in Africa	-	14,677
Sub total Kenya	98,632	118,952
Tanzania – Agricultural Research Institute – Mikocheni	-	3,783
Tanzania – Agricultural Research Institute – Uyole	-	279
Tanzania – Agricultural Research Institute – Miakophe	-	2,500
Tanzania – Dutch Connexxion	23,225	17,573
Tanzania – Horticultural Research Institute – Tengeru	7,181	22,819
Tanzania – International Centre of Insect Physiology and Ecology	-	9,906
Tanzania – Lake Zone Agricultural Research and Development – UKIRIGURU	19,611	143
Tanzania – Ministry of Agricultural, Natural Resources and Environment	-	19,814
Tanzania – Sokoine University, Development of Animal Science and Promotion	-	8,486
Sub total – Tanzania	50,017	85,303
Uganda – Africa 2000 Network	33,376	16,080
Uganda – CARITAS Kasanaensis	-	14,844
Uganda – Centre for Integrated Development	-	23,226
Uganda – Community Integrated Development Initiative	6,774	4,023
Uganda – Kyembogo Datic Limited	-	3,032
Uganda – Volunteer Effort for Development Concern	-	3,652
Sub total Uganda	40,150	64,857
GRAND TOTAL GRANTS	663,310	849,631

The above represents the total aggregate payments made to each institution during the year. The total number of individual grant payments made during the year was 20 (2007: 48).

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. GOVERNANCE COSTS

	Total 2008 £'000	Total 2007 £'000
Auditor's remuneration		
Statutory audit	18	17
Overseas audit	5	5
Internal audit	5	10
Board costs		
UK Board	4	3
South African Board	5	4
AGM costs	4	7
Strategic planning costs	46	80
Restructuring costs	-	91
Support costs allocated (note 14)	34	35
	<u>121</u>	<u>252</u>

No expenses were reimbursed to trustees during either 2008 or 2007.

14. ANALYSIS OF SUPPORT COSTS

	Mgt Costs £'000	Office Costs £'000	Finance & IT £'000	HR Costs £'000	Total 2008 £'000	Total 2007 £'000
Basis of apportionment:	time	area	time	time		
Charitable activities						
Testing & developing agricultural best practice	62	218	186	34	500	510
Changing policy	11	40	34	6	91	98
Training and support	13	40	34	6	93	136
Raising public awareness	8	22	20	4	54	49
	<u>94</u>	<u>320</u>	<u>274</u>	<u>50</u>	<u>738</u>	<u>793</u>
Income generation						
Voluntary income:						
Donations & legacies	2	60	65	29	156	212
Grants	1	10	16	4	31	41
	<u>3</u>	<u>70</u>	<u>81</u>	<u>33</u>	<u>187</u>	<u>253</u>
Community Fundraising & Merchandise						
	1	10	16	4	31	40
	<u>4</u>	<u>80</u>	<u>97</u>	<u>37</u>	<u>218</u>	<u>293</u>
Governance costs	<u>2</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>34</u>	<u>35</u>
	<u>100</u>	<u>400</u>	<u>403</u>	<u>87</u>	<u>990</u>	<u>1,121</u>

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. EMPLOYEES

	2008	2007
	£'000	£'000
Staff costs		
Wages and salaries (including life insurance)		
Overseas contracted staff	1,603	1,695
UK contracted staff	781	1,140
Social security costs	83	113
Pension costs	54	74
	<u>2,521</u>	<u>3,022</u>

The above staff costs relate to staff employed under UK and overseas employment contracts. The UK contracted staff costs include £3,807 (2007: £27,000) in respect of 1 (2007: 1) project management staff working overseas.

	2008	2007
	No.	No.
Employees with emoluments in the range of £60,000 to £70,000	<u>1</u>	<u>1</u>

FARM-Africa paid contributions of £4,835 (2007: £4,835) into a defined contribution pension scheme for the 1 (2007: 1) higher paid employee in the year.

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

	2008	2007
	No.	No.
Overseas contracted staff	204	260
UK contracted staff:		
Fundraising and publicity	13	16
Overseas project management (based in UK and overseas)	3	7
Project support	6	10
Management and administration of charity	2	2
	<u>228</u>	<u>295</u>

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

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. TRANSFERS BETWEEN FUNDS

	Unrestricted 2008 £'000	Restricted 2008 £'000	Unrestricted 2007 £'000	Restricted 2007 £'000
Uganda–Animal Healthcare Project	-	-	12	(12)
Kenya– Nairobi Office	-	-	23	(23)
Kenya–Participatory Development Best Practice	-	-	3	(3)
Kenya – Mwingi Dairy Goat Project	-	-	10	(10)
Ethiopia – Addis Ababa Office	-	-	26	(26)
Tanzania – Arusha Office	-	-	11	(11)
Tanzania – Agricultural Education Project	-	-	12	(12)
Sudan – Post Conflict Rehabilitation	-	-	14	(14)
Other miscellaneous restricted funds	-	-	(21)	21
	-	-	90	(90)

17. TANGIBLE FIXED ASSETS – The Company and the Group

	Leasehold Improvements £'000	Vehicles £'000	Machinery and Equipment £'000	Computer Equipment £'000	Total £'000
Cost					
At 1 January 2008	106	69	28	103	306
Additions	2	0	4	11	17
Disposals	0	(7)	0	0	(7)
At 31 December 2008	108	62	32	114	316
Depreciation					
At 1 January 2008	(31)	(27)	(21)	(80)	(159)
Charge for the year	(31)	(17)	(4)	(15)	(67)
Disposals	0	6	0	0	6
At 31 December 2008	(62)	(38)	(25)	(95)	(220)
Net book value					
At 31 December 2008	46	24	7	19	96
At 31 December 2007	75	42	7	23	147

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 £1,563,435 (2007: £1,451,306). The accounting policy relating to fixed assets is referred to in note 1(h).

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED
YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. DEBTORS – The Company and the Group

	2008 £'000	2007 £'000
Other debtors	583	437
Prepayments	136	68
Accrued income – other	190	655
Accrued income – project grants	881	428
	<u>1,790</u>	<u>1,588</u>

19. CREDITORS: Amounts falling due within one year – The Company and the Group

	2008 £'000	2007 £'000
Trade creditors	40	87
Other creditors and accruals	1052	632
Other tax and social security costs	22	28
	<u>1,114</u>	<u>747</u>

20. CREDITORS: Amounts falling due after more than one year – The Company and the Group

	2008 £'000	2007 £'000
Loan	18	-
Provision for overseas severance pay and gratuity provision	72	46
	<u>90</u>	<u>46</u>

21. RESTRICTED FUNDS

The Group

	Balance at 1 January 2008 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers (note 16) £'000	Balance at 31 December 2008 £'000
Ethiopian Programmes	402	1,854	(1,803)	-	453
Kenyan Programme	725	683	(898)	-	510
Ugandan Programme	1	97	(33)	-	65
Tanzanian Programmes	67	943	(689)	-	321
South African Programmes	111	72	(139)	-	44
Sudanese Programme	62	500	(561)	-	1
Other miscellaneous restricted funds	26	-	-	-	26
	<u>1,394</u>	<u>4,149</u>	<u>(4,123)</u>	<u>-</u>	<u>1,420</u>
Movement on restricted reserves					

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED

YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. RESTRICTED FUNDS (continued)

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 funds being received 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.

Included in the figures above are the following amounts relating to projects funded by DFID:

	Incoming Resources £'000	Outgoing Resources £'000
Northern Tanzania Pastoralist Project	159	(159)
Ethiopia Pastoralist Project (EPP), Ethiopia	58	(124)
Northern Cape, South Africa phase II	33	(31)
	<u>250</u>	<u>314</u>

22. NET ASSETS ANALYSIS – The Company and the Group

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Fund balances at 31 December 2008 are represented by:			
Tangible fixed assets	96	-	96
Current assets	681	2,263	2,944
Current liabilities	(343)	(771)	(1,114)
Long-term liabilities	(18)	(72)	(90)
	<u>416</u>	<u>1,420</u>	<u>1,836</u>

23. 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 company cannot be transferred to the members by way of dividend.

FOOD AND AGRICULTURAL RESEARCH MANAGEMENT LIMITED
YEAR ENDED 31 DECEMBER 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. COMMITMENTS: OPERATING LEASES

At 31 December 2008 FARM-Africa has the following annual commitments under non-cancellable operating leases:

	Equipment £'000	Property £'000	Total £'000	2008 £'000
Operating leases which expire:				
Between one and two years	-	185	185	7
Between two and five years	9	-	9	196
	<u>9</u>	<u>185</u>	<u>194</u>	<u>203</u>

25. CONTINGENT LIABILITIES

At 31 December 2008 FARM-Africa was in negotiations with the Ethiopian Ministry of Finance regarding an expatriate tax liability. There is a possibility that a liability may be incurred but the amount of any such liability cannot currently be quantified (2007: same situation).

The Board of FARM-Africa (South Africa) made the decision to wind up the company in May 2008, due to existing contracts coming to a close and not being replaced, the company was subsequently wound up in February 2009.

26. SUBSIDIARY COMPANY

FARM-Africa holds 51% of the voting rights of FARM-Africa South Africa, allowing FARM-Africa to exercise control over that entity. FARM-Africa South Africa was registered in South Africa as a local Section 21 NGO on 20 April 2005. At 31 December 2008 the reserves of FARM-Africa South Africa amounted to nil (2007: £51,452).

FARM-Africa South Africa shares the objectives of FARM-Africa as a whole, and works within the overall strategy. At 31 December 2008 it had a nil balance sheet and the company made a loss for the year ended 31 December 2008 of £51,452 (2007: a surplus £49,953).

27. RELATED PARTY TRANSACTIONS

There were no donations from trustees to FARM-Africa during the year (2007: 6 trustees donated £190,723). One former trustee made the charity a loan of £35,000 during the year. (2007: Nil).

28. PARENT COMPANY RESULT

The parent company generated a surplus of £163,000 (2007: a deficit of £1,769,000).