

Company Number: 09360833

Charity Number: 1168223

GATSBY AFRICA

ANNUAL REPORT

5 APRIL 2021

The Peak
5 Wilton Road
London SW1V 1AP

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LEGAL AND ADMINISTRATIVE INFORMATION

The company is a private limited company by guarantee incorporated on 18 December 2014 in the United Kingdom (registered no. 09360833) and operates from its registered office (The Peak, 5 Wilton Road, London, SW1V 1AP). The company is registered with the Charity Commission (registered no. 1168223).

Trustees/ Directors	Mr JC Burns Miss JS Portrait OBE	
Registered Office	The Peak 5 Wilton Road London SW1V 1AP	
Principal Officers	Mr P Hesketh Mrs K Everett Mr J Highstead Mr J Searancke	Chief Executive Chief Operating Officer Executive Director Head of Finance
Bankers	Child & Co 1 Fleet Street London EC4Y 1BD	
Solicitors	Portrait Solicitors 21 Whitefriars Street London EC4Y 8JJ	SNR Dentons LLP 1 Fleet Place London EC4M 7WS
Auditors	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW	

STRATEGIC REPORT AND ANNUAL REVIEW OF ACTIVITIES

Objects

The objects of Gatsby Africa ('GA') as given in the Articles of Association are:

- a) the prevention and/or relief of poverty in Africa and elsewhere in the world, in particular but not limited to undertaking any activity of a charitable nature which may further the prevention and/or relief of poverty work of the Gatsby Charitable Foundation ('Gatsby') (registered charity number 251988) for the public benefit.
- b) To advance such charitable purposes (according to the law of England and Wales) as the Trustees see fit from time to time in particular but not limited to the prevention and/or relief of poverty in Africa and elsewhere.

Principal activities

GA was set up as a charitable company limited by guarantee primarily to deliver projects in East Africa funded by grants from the Gatsby Charitable Foundation. GA aims to help more people benefit from economic growth in East Africa – creating jobs, raising incomes, building opportunities and reducing poverty.

GA looks to achieve this by:

- 1) Funding and implementing programmes that bring stakeholders together to catalyse large-scale and lasting change in priority sectors – such as commercial forestry in Tanzania;
- 2) Building and supporting local organisations dedicated to sector transformation; and
- 3) Sharing lessons with others - including donors and governments - who are trying to transform sectors.

GA is continuing to operate programmes in the Tanzanian cotton and textiles sector, forestry sectors in Kenya and Tanzania, and (in partnership with The Wood Foundation Africa, a Scottish registered charity) the Tanzanian and Rwandan tea sectors.

It is also working with two local organisations - Kenya Markets Trust and Msingi - to undertake similar work and influence the broader debate on how to ensure economic growth benefits poor people in East Africa.

GA and its partner organisations are running programmes in 8 different sectors across East Africa. Yet many other sectors also need support. Each programme and organisation thus aims to capture what is working and what is not, and to share this with other stakeholders - particularly governments and donors - so that they can benefit from the lessons learned.

In this way, GA aims to contribute to a wider movement, and to see a series of sectors in East Africa and beyond transformed by its own efforts and those of others, bringing widespread benefits to East African citizens and poor people across developing countries.

Review of activities

- **Funding and implementing programmes that look to catalyse and influence large-scale and lasting change in priority sectors**
 - ***Tanzanian Forestry:*** *Creating a world-class commercial forestry sector that underpins downstream wood and energy industries and delivers widespread economic, social and environmental benefits to Tanzanian citizens.*

This year, the Forestry Development Trust (FDT) were able to start sharing results from its long-standing tree species trials: some varieties were found to increase biomass by 50% and the data is set to enrich the planting decisions of stakeholders across the country. In addition, the team worked to attract investment into value addition and helped commercial banks offer tailored financial packages for wood processors. FDT has partnered with the government to pilot forestry concessions, with a view to informing a wider roll-out of the arrangements based on the lessons learned. The programme has also worked with the Tanzania Forestry Service to develop guidelines which will enhance the country's plantation standards.

STRATEGIC REPORT AND ANNUAL REVIEW OF ACTIVITIES (continued)

- ***Kenyan Forestry: Introducing innovative technologies and models to transform Kenya's commercial forestry sector, protect the environment, and benefit millions of Kenyan citizens.***

In partnership with the Kenyan Forestry Service, The Kenya Commercial Forestry Programme (KCFP) has worked on a roadmap for introducing concessions which could play a key role in transforming the sector. As well as supporting with the revision of tree seed regulations – which will enable the import and distribution of improved varieties – the team has partnered with the Kenya Climate Innovation Centre to provide a \$5 million facility for the development of commercial forestry. The programme has also supported the private sector to invest in processing and value addition in ways that will enable the sector to grow and employ more people. Following extensive testing, the programme's innovative "site-species matching tool" was endorsed by the Kenya Forestry Research Institute: the team is now designing a pilot to understand how best to deploy the tool and ensure firms benefit from the latest environmental data when establishing their plantations.

- ***Tanzanian Cotton and Textiles: Tackling poverty and creating tens of thousands of jobs by ensuring farmers can access the quality inputs they need to raise productivity, while rapidly expanding downstream industries.***

In cotton, the impact of GA's work in seed has been significant: last year 100% of the seed was de-linted, resulting in c. 200,000 farmers receiving more than \$20 million in additional income, and the country reaping an additional \$45 million in annual export earnings. In addition, the team made strong progress in supporting the pilot of a new digital distribution platform in Simiyu. Commercial banks are considering lending finance to the 63,000 registered farmers to enable the purchase of productivity-enhancing agricultural inputs. This promising pilot complements the programme's long-standing endeavour of establishing a network of village-based agro-dealers (VBAs) in the country's Lake Zone, capable of supplying inputs to farmers based on commercial relationships with input suppliers. This work is gaining momentum: an additional 30 VBAs joined the network last year, which now consists of 575 small businesses serving some 363,000 customers. In textiles, progress in Tanzania has been slower over the past year given the impact of COVID-19, national elections and the recent change of President. The creation of a high-level Committee for the Development of the Textiles Industry represented a positive step forward.

- ***Tanzanian Tea: Facilitating domestic and foreign investment that allows the implementation of a 'high-quality' model for smallholder tea that boosts profits which are then shared more equitably between farmers and factory.***

With its implementation partner, The Wood Foundation Africa (TWFA), a Scottish registered charity, GA is involved in the operation of a farmer service company that finances, provides technical support, and green-leaf logistics to smallholder tea farmers in Njombe. This enables farmers to invest in the establishment and management of high productivity tea plantations, giving confidence to Unilever to build a new factory to purchase the green-leaf. The project is currently establishing 250ha of new smallholder tea per year and has planted over 1,600ha to date, building a long-term biological asset for farmers. Tea farmers in this programme receive a 27% bonus payment agreed with Unilever above the mandated government price.

- ***Rwandan Tea: Pioneering farmer owned factories and a farmer service company model to support the sector to fulfil its world-class potential, whilst ensuring smallholder farmers are key beneficiaries from its growth.***

With TWFA, GA provides input to two tea factories, and has established two farmer service companies, along with factory partners, Luxmi and Unilever. Despite challenging end market conditions, the tea factories will distribute farmer bonuses of £1.0 million in September 2021, with total gross payments to farmers of around £5.6 million in this financial year. One factory, Mulindi, has now repaid in full its original investment cost, and the transition to farmer ownership will commence in early 2022. The service companies are facilitating planting of 550ha per year, with the long-term target to plant a total of 7,400ha. Early growth of tea bushes and quality of green-leaf produced is very encouraging, with initial farmers already earning more from new tea than traditional crops, well before tea has reached full production.

STRATEGIC REPORT AND ANNUAL REVIEW OF ACTIVITIES (continued)

- **Building and supporting local organisations dedicated to sector transformation**

- ***Msingi:*** *An long-term East African organisation building world-class industries across East Africa by: investing in and supporting firms strategic to the development of high-potential industries; addressing wider industry bottlenecks; and supporting improvements in the broader innovation landscape.*

Last year, GA assumed sole membership of Msingi, as the Foreign, Commonwealth & Development Office (FCDO – formally DFID) took the decision to exit its role as co-funder. GA supported the organisation's restructure and the team's efforts to maintain momentum in the organisation's two sector programmes.

In aquaculture, Msingi has helped a large-scale fish farm to scale rapidly and this is demonstrating the commercial viability of the industry in East Africa. Indeed - as hoped - this has led to a feed-mill investment in Kenya by an international operator. In addition, the team has effectively facilitated the emergence and professionalisation of a set of mid-size farms, providing them with crucial support in the wake of COVID-19 to ensure their survival.

In textiles, the programme remains at an early stage but has built strong relationships with the public and private sector in East Africa and internationally, supporting the governments of Uganda and Kenya on their new industry strategies and cultivating significant interest among buyers.

- ***Kenya Markets Trust (KMT):*** *A local organisation aiming to: transform key Kenyan sectors to ensure large-scale wealth creation and poverty reduction; and to lead the debate on the extent market systems are functioning in Kenya and benefiting the population.*

Following the withdrawal of FCDO from KMT in 2020, GA assumed sole membership of the organisation and supported its transition to a company limited by guarantee. Last year, KMT enjoyed impressive progress across its three sector programmes.

In livestock, KMT held three well-attended roundtables regarding the issue of meat safety, resulting in two industry bodies signing an MOU and committing to helping their members strengthen their quality standards.

In agricultural inputs, the team continued to support the industry's distribution of crop- and soil-specific fertilisers and lime products, which is helping to raise yields and combat the issue of soil acidity. In addition, the programme is starting to see the benefits of its work in seed certification: the share of counterfeit seed in the market has fallen from 40% to 10% in recent years.

In water, KMT were at the heart of efforts to convene stakeholders, gather evidence and design an emergency response plan following the outbreak of COVID-19, helping to broker emergency funding from the World Bank. In addition, KMT continued to support urban and semi-urban water service providers to realise operational efficiencies, improve their risk-return profile and attract investment.

- **Sharing lessons with others - including donors and governments - who are trying to transform sectors**

The research team monitored the socioeconomic impact of the pandemic in East Africa and GA's sectors. This information was shared with GA's major stakeholders and helped inform emergency response efforts. In addition, GA compiled two studies, covering the history of its work in the Rwandan tea sector and the prospects for economic transformation in Kenya (part of GA's Horizon East Africa project).

REPORT OF THE TRUSTEES

Risk assessment

The Trustees have examined the major strategic, business and operational risks to which GA may be exposed and these are set out in the GA risk register. Areas of risk for GA currently include management of organisational growth, programme funding and impact, and personnel. The safety of staff employed by GA remains a constant priority for the Charity.

The risk register sets out the specific risks of the organisation, the impact level of those risks before and after existing controls have been considered, and the plans in place to improve controls where appropriate. The risk register is reviewed annually by the Trustees.

GA maintains a regular risk review process to ensure it manages its risks appropriately and this is delegated on a day to day basis to its professional management team. On a quarterly basis, or more frequently if deemed necessary, the management team review risks to the business to ensure that relevant actions are being taken to manage risks appropriately and ensure the risk register remains up to date. Progress on improvements to GA's control environment are also assessed on a quarterly basis. Any significant changes to risks will be reported to Trustees, with a formal review of the risk register on an annual basis.

The Trustees have evaluated that a major risk continuing to be faced by the Charity is that payments to overseas bodies may not be applied to its charitable purposes. To mitigate this risk the Trustees have implemented a rigorous, proportionate set of governance procedures which considers whether programmes and activities of the Charity which are to be the recipients of payments made overseas are aligned with the charitable objectives of GA. During implementation of these programmes there is a series of performance reviews which checks, amongst other matters, that the funding paid overseas has been applied to programme outputs approved originally.

GA is also mindful of its responsibilities regarding the reporting of serious incidents, including safeguarding. The Charity is working closely with its partners and staff to develop their awareness of safeguarding responsibilities with respect to vulnerable persons. The Trustees have undertaken an extensive review of security policies and procedures embedded within GA, including its crisis management procedures, country level threat monitoring and staff training.

Trustees continue to assess risks arising from the Coronavirus pandemic on the activities and operations of GA. The Trustees do not anticipate any risks to the receipt of funding from Gatsby. Consequently the Trustees monitor closely the potential impact of the pandemic on its activities in Africa, observing national government advice in each territory of operation, and putting in place working procedures which have the safety of its staff and partners as top priority.

Programme investments

GA provides concessionary loans and deposit security for third party loans to stimulate growth in the aquaculture sector in East Africa where debt finance is otherwise not available. Such loans attract interest of 3.5% – 15.0% per annum. GA seeks to achieve a moderate rate of return its programme investment portfolio in any financial year. Interest income of £104,000 was received on such loans during the year, a return of 4.3% per annum.

Organisation

GA is one of the Sainsbury Family Charitable Trusts ('SFCT'), which share a common administration. GA has incurred staff costs and a share of the SFCT overheads.

Trustees are appointed by existing Trustees and are provided with relevant information relating to their responsibilities as Trustees.

The Charity and its Trustees are fully aware of the requirements and duties set out in the Charities (Protection and Social Investment) Act 2016. The Trust does not raise funds from the public and as such has no fundraising activities requiring disclosure under SI 62A of the Charities Act 2011.

REPORT OF THE TRUSTEES (continued)

Financial performance and reserves

The Group achieved a net surplus of income over expenditure of £8.1 million, principally arising from the donation of net assets of £6.2 million to the Charity following the transfer of membership of Kenya Markets Trust and Msingi East Africa to GA (see Note 17 for more details). The remaining net income of £1.9 million was derived from the 'post transfer' surpluses of these subsidiaries for the financial year. Consequently Group reserves of the Charity at year end were £8.1 million; of which restricted Group reserves were £0.1 million and unrestricted Group reserves were £8.0 million.

Company reserves of the Charity at year end were £Nil. As outlined in Note 1c), the Trustees reasonably expect that the Charity will continue to receive its funding from Gatsby. As this funding is provided over several years, and is drawn down as needed, GA as a company does not require significant reserves. The Trustees are satisfied that this policy will continue to enable GA to meet its obligations as they fall due.

Staff remuneration

The remuneration of senior staff (including key management personnel) is reviewed by the Trustees on an annual basis taking into account the requirements of their role and performance during the year. From time to time the SFCT Management Committee benchmarks pay levels against the comparable positions in similar organisations.

Public benefit

Trustees are aware of the Charity Commission guidance on Public Benefit and confirm that they have complied with the duty in Section 17 of the Charities Act 2011 to have due regard to it. The Trustees consider that the information provided in this Report about the Charity's aims, its activities, and its achievements in the many areas of interest that the Charity supports demonstrates the benefit arising from its activities to its beneficiaries, and to the public in general.

Charity governance

Trustees are aware of the Charity Governance Code published in 2017 and updated in December 2020 which sets out the principles and recommended practice for good governance within the sector. The Charity has reviewed its governance arrangements against the principles within the code and believes that it is compliant with the code whilst maintaining its need to operate its governance efficiently.

Trustees make sure that decision-making processes are informed, rigorous and timely, and that effective delegation, control, risk-assessment, and management systems are set up and monitored. Except for those matters specifically reserved for Trustees, decisions concerning the day to day operation of the Charity are delegated to the Principal Officers, who have implemented suitable financial and related controls and reporting arrangements to make sure Trustees oversee delegated matters.

The Charity's Trustees are also trustees of Gatsby Charitable Foundation. Details about other charities for which the Trustees also act as trustee may be found on the Charities Commission website.

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 Trustees to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the charitable company at the end of the period and of the profit or loss of the charitable company for the period. In preparing those financial statements the Trustees are 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charitable company will continue to operate.

REPORT OF THE TRUSTEES

Statement of Trustees' Responsibilities (cont.)

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

Statement as to disclosure to auditors

In so far as the Trustees are aware at the time of approving the Trustees' Annual Report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the Trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board on 4 November 2021 and signed on their behalf by



Mr JC Burns
Trustee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATSBY AFRICA

Opinion

We have audited the financial statements of Gatsby Africa ('the charitable company') for the year ended 5 April 2021 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group and charitable company's affairs as at 5 April 2021 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATSBY AFRICA (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 8 the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GATSBY AFRICA (continued)

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

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

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

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

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were employment legislation, health & safety legislation and anti-fraud, bribery and corruption legislation. We also considered compliance with local legislation for the group's overseas operating segments.

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

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

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

Use of our report

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



Tina Allison
Senior Statutory Auditor
For and on behalf of Crowe U.K.
LLP Statutory Auditor
London

10 December 2021

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating an Income and Expenditure Account)

FOR THE YEAR ENDED 5 APRIL 2021

	<i>Notes</i>	Restricted Funds	Unrestricted Funds	Total Funds 2021	Total Funds 2020
		£'000	£'000	£'000	£'000
Income					
Grants receivable	2.	144	16,267	16,411	15,896
Donations arising from transfers to sole membership	17.	-	6,180	6,180	-
Other income		-	798	798	239
Total income		144	23,245	23,389	16,135
Expenditure					
<i>Charitable activities</i>					
Grant expenditure	3.	-	677	677	1,600
Direct programme expenses	4.	-	11,975	11,975	12,300
Support costs	5.	-	2,407	2,407	2,004
Total expenditure		-	15,059	15,059	15,904
Net income for the year and net movement in funds		144	8,186	8,330	231
Reconciliation of funds					
Total funds brought forward		-	-	-	231
Movement in foreign exchange		-	(210)	(210)	(231)
Total funds carried forward		144	7,976	8,120	-

The notes on pages 15 to 23 form part of this Statement of Financial Activities.

CONSOLIDATED AND CHARITY BALANCE SHEET
(Company Registration No. 09360833)

AS AT 5 APRIL 2021

	<i>Notes</i>	2021		2020	
		Group	Charity	Group	Charity
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible fixed assets	7.	445	375	-	442
Programme investments	8.	2,646	-	-	-
		3,091	375	-	442
CURRENT ASSETS					
Debtors	9.	1,611	5,628	-	4,609
Cash at bank and in hand		5,322	1,094	-	2,150
Total Current Assets		6,933	6,722	-	6,759
LIABILITIES					
Creditors - amounts falling due within 1 year	10.	(1,779)	(6,972)	-	(6,980)
NET CURRENT ASSETS/(LIABILITIES)		5,154	(250)	-	(221)
Total Assets Less Current Liabilities		8,245	125	-	221
Creditors - amounts falling due after 1 year	11.	(125)	(125)	-	(221)
NET ASSETS		8,120	-	-	-
The funds of the charity:					
Unrestricted funds		7,976	-	-	-
Restricted funds		144	-	-	-
		8,120	-	-	-

The financial statements were approved and authorised for issue by the Trustees / Directors on 4 November 2021 and were signed on their behalf by:



Mr JC Burns
Trustee

The notes on pages 15 to 23 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 5 APRIL 2021

	2021	2020
	£000	£000
Cash (outflows)/inflows from operating activities	(403)	765
Net cash inflows/(outflows) from financing activities	3,575	(79)
Net cash received from operating and financing activities	<u>3,172</u>	<u>686</u>
Cash at bank and in hand	2021	2020
	£000	£000
Change in cash at bank and in hand during the year	3,172	686
Cash at bank and in hand at beginning of year	2,150	1,464
Cash at bank and in hand at end of year	<u>5,322</u>	<u>2,150</u>
Reconciliation of net income/(expenditure) to net cash (used in) operating activities	2021	2020
	£000	£000
Net income for the year (as per the Statement of Financial Activities)	8,120	231
Donations arising from transfer to sole membership	(6,180)	-
Depreciation	192	238
Fixed asset acquisitions	(161)	(290)
Fixed asset disposals	(3)	26
Decrease in debtors	3,273	206
(Decrease)/Increase in creditors	(5,745)	480
Movement in foreign exchange	101	(126)
Net cash received from operating activities	<u>(403)</u>	<u>765</u>
Net cash flows from financing activities	2021	2020
	£000	£000
Donations arising from transfer to sole membership	6,180	-
Non cash assets acquired from transfer to sole membership	(2,509)	-
Net advanced to acquire fixed assets	96	290
Repayments in period	(169)	(264)
Movement in foreign exchange	(23)	(105)
Net cash (repaid) from financing activities	<u>3,575</u>	<u>(79)</u>

The notes on pages 15 to 23 form part of these financial statements.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

a) Organisation information

The Charity is a private limited company by guarantee (registered number 09360833), which is incorporated and domiciled in the UK and is a public benefit entity. The address of the registered office is The Peak, 5 Wilton Road, London, SW1V 1AP. The company is registered with the Charity Commission (registered no. 1168223).

b) Basis of preparation

The financial statements have been prepared in accordance with the Charities SORP (FRS102) applicable to charities preparing their accounts in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

The Charity constitutes a public benefit entity as defined by FRS102.

The Charity operates from its registered office in the United Kingdom. It operates in East Africa via two branches established in Kenya and Tanzania, and through Forestry Development Trust, a trust registered in Tanzania with charitable intent. These entities are not treated as separate from Gatsby Africa, and therefore the financial results of these branches are fully integrated for the purposes of these financial statements (see Note 15).

The consolidated Statement of Financial Activities, Balance Sheet and Cash Flows incorporate the results of the Charity for the year ended 5 April 2021 and of its subsidiaries, Msingi East Africa Ltd and Kenya Markets Trust, from the date that the Charity became their sole Member (see Note 17).

c) Going concern

After making enquires, the Trustees are not aware of material uncertainties that cast doubt on going concern and have a reasonable expectation that the company has adequate resources to continue its activities for the foreseeable future as reflected in the Report of the Trustees. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Gatsby Africa continues to receive grant funding from Gatsby Charitable Foundation. As this funding is provided over several years, and is drawn down as needed, Gatsby Africa does not require significant reserves. Trustees have a reasonable expectation that the Coronavirus pandemic will not affect future grant funding from Gatsby Charitable Foundation, nor curtail the activities of Gatsby Africa for the foreseeable future.

d) Income

Income predominantly represents grants receivable which relate to the current year and are subject to contractual conditions from the donor specifying the time period to which related expenditure can occur. These grants are credited to restricted income within the SOFA. Where approved grant expenditure exceeds grant income received to date and entitlement to the income can be demonstrated, an accrued income figure is recognised, or a deferred income balance is recognised if entitlement to income is in a future period.

e) Grants payable

Grants for which there is a legal obligation, or a valid expectation of receipt by the beneficiary at the year end, and for which conditions attaching to their payment have been fulfilled, are accounted for within the Statement of Financial Activities. Grants approved subject to conditions that have not been met at the year end are not accrued (see Note 3).

f) Direct programme expenditure

Direct programme expenditure comprises project costs incurred by the Charity in the year, in accordance with the Charity's objects.

g) Support costs

Most of these costs support the charitable activities of Gatsby Africa and are so allocated. They comprise in the main a share of the staff and office costs of the joint office of the Sainsbury Family Charitable Trusts, which are allocated in proportion to time spent on Charity matters and grants paid, as well as costs directly incurred by Gatsby Africa.

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES (continued)

h) Governance costs

Governance costs comprise all costs involving the public accountability of the Charity and its compliance with regulation and good practice. These costs include fees for statutory audit and legal fees where relevant.

i) Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash at bank and in hand, programme investments together with other debtors. Financial liabilities held at amortised cost comprise grants payable and accruals.

j) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairments in value. Fixed assets are depreciated at rates which reflect their useful lives to the Charity. The following rates have been used:

Motor vehicles – 25% straight line

Furniture and fittings - 20% straight line

Computer equipment - 33% straight line.

k) Programme investments

Concessionary loans made to beneficiaries are recognised and measured at the amount paid, with the carrying amount adjusted in subsequent years to reflect repayments, accrued interest and, if necessary, for any impairment. Where there is objective evidence of impairment of such loans then an impairment charge is recognised as a cost within expenditure on charitable activities.

Deposits placed with financial institutions to act as security for loans made to third party beneficiaries are recorded as programme investments. Where there is objective evidence of impairment of the underlying loan to a third party beneficiary such that the security provided will be forfeited then an impairment charge is recognised as a cost within expenditure on charitable activities.

l) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

m) Critical accounting judgements and key sources of estimation uncertainty

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

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

NOTES TO THE ACCOUNTS

2. INCOME

	2021	2020
	£'000	£'000
Grants Receivable		
Gatsby Charitable Foundation	15,413	15,896
Department for International Development	855	-
Other	143	-
	16,411	15,896

3. GRANTS PAYABLE

Group	2021	2020
	£'000	£'000
Grants payable for the year	667	1,600

A grant of £667,000 was paid to Msingi prior to the transfer of sole membership to Gatsby Africa (see Note 17).

Charity	2021	2020
	£'000	£'000
Reconciliation of grants payable:		
Commitments at 6 April 2020	4,100	5,100
Grants approved in the year	5,833	3,500
Grants cancelled in the year	(706)	(1,900)
Grants payable for the year	5,127	1,600
Grants paid during the year	(3,434)	(2,600)
Commitments at 5 April 2021	5,793	4,100

Commitments at 5 April 2021 are payable as follows:

	2021	2020
	£'000	£'000
Within one year (note 9)	5,793	4,100

Commitments at year end are payable to the following beneficiaries:

	2021	2020
	£'000	£'000
Kenya Markets Trust	-	600
Msingi	5,793	3,500
	5,793	4,100

In addition to the amounts committed and accrued noted above, the Trustees have also authorised certain grants which are subject to the recipient fulfilling certain conditions relating to the delivery of the grant-funded activities. The total amount authorised but not accrued as expenditure at 5 April 2021 was £400,000 (2020: £1,760,000).

NOTES TO THE ACCOUNTS

4. DIRECT PROGRAMME EXPENSES

	2021			2020
	Direct Costs	Staff Costs	Total	Total
	£'000	£'000	£'000	£'000
Tanzanian Cotton and Textiles	1,686	1,152	2,838	3,150
Tanzanian Forestry	900	912	1,812	2,270
Kenyan Forestry	914	1,132	2,046	2,819
Msingi	2,140	1,131	3,271	255
Kenya Markets Trust	591	628	1,219	386
Sharing and Synthesising Lessons	140	649	789	1,452
	6,371	5,604	11,975	12,300

5. SUPPORT COSTS

	2021			2020
	Charitable Activities	Governance	Total	Total
	£'000	£'000	£'000	£'000
Staff costs	1,749	-	1,749	1,305
Share of joint office costs	209	-	209	250
Direct costs including travel, consultancy, legal and professional fees	396	-	396	426
	2,354	-	2,354	1,981
Auditors' remuneration	-	53	53	23
	2,354	53	2,407	2,004

Auditors' remuneration comprises £28,000 (2020: £23,000) paid to the Charity's group auditors, and £25,000 (2020: £Nil) paid to affiliates of the group auditors based overseas. Irrecoverable VAT of £5,000 (2020: £4,000) are included with the amount paid to the Charity's group auditors.

Included within grant-related support costs is a total of £67,896 (2020: £108,162), which relates to legal services provided by Portrait Solicitors, a firm in which Miss JS Portrait OBE is a partner.

6. ANALYSIS OF STAFF COSTS

	2021	2020
	£'000	£'000
Wages and salaries	6,825	6,758
Social security costs	182	191
Other pension costs	346	273
	7,353	7,222

The average number of staff employed during the year was 158 (2020: 142). Staff costs include contributions to money purchase pension schemes.

No Trustees received remuneration during the year (2020: £Nil). Travel expenses of £2,642 were paid on behalf of one Trustee during the year (2020: £Nil). Having regard to the roles of its staff, the Charity considers its key management personnel to comprise 4 staff (2020: 4 staff), to which total compensation paid, including employer contributions to group personal pensions during the year was £499,331 (2020: £335,124).

NOTES TO THE ACCOUNTS

6. ANALYSIS OF STAFF COSTS (continued)

The number of employees whose earnings in relation to time spent on the Charity's affairs exceeded £60,000 p.a. excluding pension contributions was:

	2021	2020
	No.	No.
£60,001 - £70,000	3	1
£70,001 - £80,000	1	2
£80,001 - £90,000	4	2
£120,001 - £130,000	1	-
£160,001 - £170,000	-	1
£170,001 - £180,000	1	-

The Charity is one of the Sainsbury Family Charitable Trusts which share a joint administration at the Registered Office. 20.6% (2020: 18.8%) of the total support and administration costs have been allocated to GA, including a proportionate share of the costs of employing the total number of staff serving in the office in 2020/21. Staff costs equivalent to 17.7 (2020: 20.6) full time employees were charged to GA.

7. TANGIBLE FIXED ASSETS

Group

	Motor vehicles	Furniture and fittings	Computer equipment	Total
<u>Cost</u>	£'000	£'000	£'000	£'000
At beginning of year	658	310	180	1,148
Acquisitions	402	405	161	968
Disposals	(84)	-	-	(84)
Movement in foreign exchange	(108)	(63)	(25)	(196)
At end of year	868	652	316	1,836

Accumulated depreciation

At beginning of year	512	70	124	706
Acquisitions	341	253	126	720
Depreciation charge for the year	98	57	37	192
Disposals	(87)	-	-	(87)
Movement in foreign exchange	(84)	(29)	(27)	(140)
At end of year	780	351	260	1,391

Net book value at 5 April 2021

88	301	56	445
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Net book value at 5 April 2020

146	240	56	442
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NOTES TO THE ACCOUNTS

7. TANGIBLE FIXED ASSETS (continued)

Charity

	Motor vehicles	Furniture and fittings	Computer equipment	Total
Cost	£'000	£'000	£'000	£'000
At beginning of year	658	310	180	1,148
Acquisitions	60	80	23	163
Disposals	(84)	-	-	(84)
Movement in foreign exchange	(85)	(43)	(13)	(141)
At end of year	549	347	190	1,086
Accumulated depreciation				
At beginning of year	512	70	124	706
Depreciation charge for the year	97	49	33	179
Disposals	(87)	-	-	(87)
Movement in foreign exchange	(61)	(10)	(16)	(87)
At end of year	461	109	141	711
Net book value at 5 April 2021	88	238	49	375
Net book value at 5 April 2020	146	240	56	442

8. PROGRAMME INVESTMENTS

	Concessionary loans	Guaranteed loans	Total
Cost	£'000	£'000	£'000
At beginning of year	-	-	-
Acquisitions	2,865	295	3,160
Movement in foreign exchange	(244)	-	(244)
At end of year	2,621	295	2,916
Impairment provision			
At beginning of year	-	-	-
Acquisitions	(450)	(19)	(469)
Impairment charge reversal for the year	199	-	199
At end of year	(251)	(19)	(270)
Net book value at 5 April 2021	2,370	276	2,646
Net book value at 5 April 2020	-	-	-

Concessionary loans to a beneficiary, Victory Farms, at year end amounted to £2,187,000, and is repayable in February 2026. No other beneficiary totalled more than 5% of the balance.

Interest rates charged on the concessionary loans range between 3.5% - 15.0% per annum. Debenture security is obtained from beneficiaries who have received such loans.

NOTES TO THE ACCOUNTS

8. PROGRAMME INVESTMENTS (continued)

Loan repayment terms are between 3 – 4 years. Programme investments are expected to be repaid by beneficiaries as follows:

	Concessionary loans	Guaranteed loans	Total
<u>Net book value</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Due within one year	-	-	-
Due after more than one year	2,370	276	2,646
At 5 April 2021	2,370	276	2,646
At 5 April 2020	-	-	-

There were no concessionary loans which were committed but not taken up at year end.

Deposits of £276,000 have been placed with Uganda Development Bank at year end to secure guaranteed loans of £187,000 that have been made by the Uganda Development Bank to the following beneficiaries: Ferdsults, Rock Springs, Pearl Aquatics, Nyanja Fisheries. The guarantees enable debt financing which is otherwise not available to be provided to beneficiaries in the aquaculture sector.

9. DEBTORS

	2021		2020	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Grants receivable	1,068	5,167	-	4,293
Other debtors	279	243	-	193
Prepayments and accrued income	264	218	-	123
	1,611	5,628	-	4,609

10. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021		2020	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Grants payable within one year	-	5,793	-	4,100
Trade creditors	609	145	-	165
Other creditors	748	671	-	2,215
Accruals and deferred income	422	363	-	500
	1,779	6,972	-	6,980

Deferred income represents amounts received as charitable grants for agreed expenditure in future periods.

Other creditors include £318,000 (2020: £442,000) advanced to acquire fixed assets, repayable over the useful lives of those assets, of which £193,000 (2020: £221,000) is repayable within one year and £125,000 (2020: £221,000) is repayable after one year.

NOTES TO THE ACCOUNTS

11. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	2021		2020	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Other creditors	125	125	-	221

12. TAXATION

Since its activities are wholly charitable, the Charity will not be chargeable to UK corporation tax on its income or any profits. Accordingly, no tax liability arises. Taxation paid by branches and subsidiaries of the Charity are considered operational expenses of the programmes and included as direct costs of these charitable activities.

13. COMMITMENTS AND CONTINGENCIES

Operating leases

The Charity has entered into operating lease agreements for the use of office space from which it conducts its activities in East Africa. At year end the charity had the following commitments under non-cancellable operating leases, which fall due as follows:

	2021		2020	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Within one year	52	-	-	-
Within 2 – 5 years	440	440	-	709

14. LIABILITY OF MEMBERS

The Charity is constituted as a company limited by guarantee. In the event of the charity being wound up members are required to contribute an amount not exceeding £10.

15. INTERNATIONAL SUBSIDIARIES AND BRANCHES

The Charity operates in East Africa via branches that have been set up and locally registered, and which are controlled and managed by Gatsby Africa. These branches are not treated as separate from Gatsby Africa, and therefore the financial results of these branches are fully integrated for the purposes of these financial statements.

The activities of branches integrated in these financial statements are:

Gatsby Africa – Kenya branch: registered in Kenya as a foreign branch of Gatsby Africa (UK), Certificate of Compliance No. CF/2015/185025. Its offices are at 14 Riverside Drive, Nairobi.

Gatsby Africa – Tanzania branch: registered in Tanzania as a foreign branch of Gatsby Africa (UK), Certificate of Compliance No. 130926. Its offices are at FNB House, Ohio Street, Dar es Salaam.

Forestry Development Trust: registered as a Trust in Tanzania with charitable intent under the Trustees' Incorporation Ordinance, Cap 318. Its offices are at 20 Balozi Road, Gangilonga, Iringa. Gatsby Africa controls the Board of Forestry Development Trust, and is treated as a branch for the purposes of these financial statements.

The activities of branches consolidated in these financial statements are:

Msingi East Africa Ltd: registered in Kenya, Certificate of Compliance No. CLG/2016/12064. Its offices are at 14 Riverside Drive, Nairobi.

Kenya Markets Trust (Soko Transformation Limited, a company limited by guarantee): registered in Kenya, Certificate of Compliance No. CLG-JLFYQ9. Its offices are at the Rivaan Centre, Muguga Green, Nairobi.

NOTES TO THE ACCOUNTS

16. EAST AFRICA TEA INVESTMENTS

In February 2020, Gatsby Africa replaced Gatsby Charitable Foundation as a member of East Africa Tea Investments (EATI), a charitable company registered in Scotland which supports the development of tea factories and ancillary services in Rwanda and Tanzania.

Gatsby Africa does not control nor exercise significant influence over EATI and is therefore treated as a simple investment in the financial statements. No consideration was paid by Gatsby Africa, and therefore no cost has been recorded in the financial statements.

17. TRANSFERS TO SOLE MEMBERSHIP

Msingi East Africa Ltd

In July 2020, the Department for International Development resigned as a Member of Msingi, with Gatsby Africa assuming sole membership, control of the strategy, activities and operations of Msingi from this date. Net assets at book and fair value donated to Gatsby Africa as at the end of June 2020 for £Nil consideration were as follow:

	£'000
Fixed assets	28
Programme investments	2,691
Debtors	167
Cash	801
Creditors	(124)
Net assets	3,563

Grant income included in the Statement of Financial Activities for the period July 2020 to April 2021 was £998,000. Msingi contributed net expenditure of £2,416,000 over the same period

Kenya Markets Trust

In November 2020, the Department for International Development resigned as a Member of Kenya Markets Trust, with Gatsby Africa assuming sole membership, control of the strategy, activities and operations of Msingi from this date. Net assets at book and fair value donated to Gatsby Africa as at the end of October 2020 for £Nil consideration were as follow:

	£'000
Fixed assets	59
Debtors	107
Cash	2,870
Creditors	(419)
Net assets	2,617

Grant income included in the Statement of Financial Activities for the period December 2020 to April 2021 was £Nil. Kenya Markets Trust contributed net expenditure of £1,040,000 over the same period.

Donations arising from transfers to sole membership

The value of donated net assets arising from the transfer of sole membership to the Charity by the Department for International Development is as follows:

	£'000
Msingi East Africa Ltd	3,563
Kenya Markets Trust	2,617
Donations arising from transfers to sole membership	6,180