

Company Number: 09360833

Charity Number: 1168223

# **GATSBY AFRICA**

ANNUAL REPORT

5 APRIL 2022

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).

<b>Trustees/ Directors</b>	Mr JC Burns Miss JS Portrait OBE	
<b>Registered Office</b>	The Peak 5 Wilton Road London SW1V 1AP	
<b>Principal Officers</b>	Mr P Hesketh Mrs K Everett Mr J Highstead Mrs A Otieno	Chief Executive Chief Executive Officer – Sainsbury Family Charitable Trusts Executive Director Head of Finance
<b>Bankers</b>	Child & Co 1 Fleet Street London EC4Y 1BD	
<b>Solicitors</b>	Portrait Solicitors (until 31 July 2022), now 21 Whitefriars Street London EC4Y 8JJ	BDB Pitmans LLP (from 1 August 2022) 1 Bartholomew Close London EC1A 7BL
	SNR Dentons LLP 1 Fleet Place London EC4M 7WS	
<b>Auditors</b>	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) Transforming key sectors in East Africa by developing ambitious strategies and partnering with others to implement them; and
- 2) Synthesising and sharing lessons from its programmes and elsewhere to enable their application at scale in its own sectors and in others.

In the financial year 2021-22, GA operated programmes in the Tanzanian cotton and textiles sector, the 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 also partnered with two local institutions - KMT and Msingi - to undertake similar work and influence the broader debate on how to ensure economic growth benefits poor people in East Africa. While these two organisations operated separately for the duration of financial year 2021-22, they were successfully integrated into GA as of 1 April 2022.

While GA, KMT and Msingi ran programmes in 10 different sectors across East Africa last year, it is clear many other sectors also need support. Each programme therefore 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**

- **Transforming key sectors in East Africa by developing ambitious strategies and partnering with others to implement them; and**
  - ***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 – thereby creating jobs and reducing poverty.***

Last year, the Forestry Development Trust's close engagement with the Tanzanian National Business Council resulted in Presidential and Cabinet backing for commercial forestry, with the sector now enjoying cross-government support. Moreover, the programme continued to support the sector's progress from an economic perspective: there is a growing demand for professional services in plantation management; banks are increasingly helping engineered wood product firms invest in more productive machinery; and ties are strengthening with regional markets (e.g. Zambia) and global markets (e.g. India & China). In addition, the team successfully gained approval for a commercial forestry concession pilot in Madaba – which is anticipated to launch in financial year 2022-23.

**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 – through creating jobs and reducing poverty.*

Increasingly, the government of Kenya is setting clear strategies and targets for the development of commercial forestry – motivated in part by the Kenya Commercial Forestry Programme's engagements and the country's ambitious climate mitigation commitments. In the private sector, the programme has helped attract investment in value-orientated sawmilling and has laid the foundation for the widespread availability of commercial quality seedling. Moreover, the team has started to engage effectively in Uganda, building relationships with the country's government, private sector, and industry associations - with a view to unlock the regional processing opportunity presented by the country's abundance of quality raw material.

- ***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.*

Despite the challenging environment in Tanzanian cotton and GA's long-standing decision to exit the sector by April 1 2022, the Cotton & Textiles Development Programme made strong progress in the circumstances – maintaining relationships with key stakeholders, handing over ongoing work, and sharing lessons from the team's experience in the sector over the years. While the situation in cotton remains mixed, the agro-dealer network has continued to progress, with town-based agro-dealers increasingly employing extension workers to strengthen the inputs supply chain. In addition, the regional government appears committed to the private sector-led cotton production partnership model in Simuyu – although the pilot is yet to achieve significant scale. In textiles, the newly formed Committee for the Development of the Textiles Industry delivered the "Cotton 2 Clothing" strategy review and situational analysis as part of the textiles strategy development process.

- ***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 provides financial / technical support and green leaf logistics to smallholder tea farmers in Njombe. This enables farmers to invest in the establishment and management of tea plantations, giving confidence to Unilever to build a new factory to purchase the green leaf. The project is currently establishing 200ha of new smallholder tea per year and has planted over 1,800ha 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. In the financial year 2021-22, the project reached a major milestone as one factory, Mulindi, made its final loan repayment and was transferred to full farmer ownership. The long-term aim is to demonstrate how smallholder ownership can deliver sustained high returns for farmers in the country. During a six-year transition phase, TWFA & GA will continue to play a role in factory oversight and management. The two service companies are facilitating planting of 550ha per year, with the long-term target to plant a total of 7,400ha. The performance of the two service companies has been very strong: the yields of newly planted bushes are rising quickly, and the tea produced in the factory is showing signs of being of the highest quality in Africa. Recently realised made tea prices - of which farmers receive 50% - are already significantly higher than the Rwandan average (\$3.73 vs, \$2.75).

**STRATEGIC REPORT AND ANNUAL REVIEW OF ACTIVITIES (continued)**

- ***Msingi:*** *An East African organisation building world-class industries across East Africa that create jobs and thereby reduce poverty, 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.*

As the sole member of Msingi, GA took the decision last year to integrate Msingi's programmes and staff into GA by 1 April 2022 and this goal was successfully realised. GA engaged closely with the organisation's leadership and staff as part of the change process and ensured momentum was maintained in the organisation's two sector programmes.

In regional aquaculture, the team continued to make progress with pioneering firms and small- and medium-sized fish farms – the demonstration of their viability and growth is already leading to a crowding-in effect. The programme's investment in a feed mill also progressed well, with the factory due to open its operations in financial year 2022-23. In parallel, the past year has seen the team engage effectively with governments and industry associations on the issue of biosecurity and environmental sustainability (e.g the government in Kenya has drafted new aquaculture regulations and is putting in place a spatial planning, zoning and carry capacity framework for Lake Victoria). This advocacy work will remain a critical focus for the programme moving forward as the industry continues its rapid growth trajectory. Moreover, the team has started to support the government of Rwanda on the development of the country's aquaculture strategy for the next 10-15 years. Finally, discussions are ongoing with regards to crowding in a new specialist aquaculture private equity fund – AquaSpark – which could invest \$40m in scaling up emerging companies.

In textiles, the team performed strongly in Uganda: with the country's cotton, textiles & apparel (CTA) strategy now complete, the team assisted the government with defining a roadmap for the sector and developing a short-term action plan. In Kenya, the programme built support for the creation of a CTA desk within the relevant ministry. Increasingly recognised as a credible source of industry data, the team continued to support investment promotion initiatives across East Africa, drawing on its network to convene policymakers, buyers and foreign mills and explore inward foreign direct investment opportunities.

- ***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.*

As the sole member of KMT – a company limited by guarantee - GA took the decision last year to integrate KMT's programmes and staff into GA by 1 April 2022 and this goal was successfully realised. GA engaged closely with the organisation's leadership and staff as part of the change process and ensured momentum was maintained in the organisation's three sector programmes.

In livestock, the programme worked closely with the Kenya Retail Association and Nation Media to deliver a nation-wide meat expo, which was the first of its kind in Kenya and received backing from the President. Stimulating the conversation regarding the industry's modernisation, the successful event was attended by 5000 guests from across the value chain and will now be held annually. More broadly, the team continued to support the industry's development in a number of ways, piloting an agrovet model and sharing the learning; providing technical assistance to several feedlots; moving forward with a livestock identification and traceability system (LITS) in Laikipia county; upskilling meat processing firms; and engaging governments and industry associations on a number of critical issues (e.g. food safety and a roadmap for the sector's transformation).

In agricultural inputs, the programme made strong progress in several areas over the last year. To tackle the issue of soil acidity in Kenya, the team advocated strongly for widening access to granulated lime – the private sector is now considering investing in local production and the programme is supporting the government with the drafting of liming standards. Moreover, the team played a central role in inspiring the long overdue review of pest control regulations and building the capacity of key industry associations, with a view to strengthening the coordination of public and private stakeholders.

## **STRATEGIC REPORT AND ANNUAL REVIEW OF ACTIVITIES (continued)**

In water, the programme gained strong buy-in from the government and donors around its global water benchmarking study, with the relevant ministry constituting a taskforce to lead in the implementation of its action points. Over the last year, the team has made strong progress against its goal of sector transformation, launching a ministry-approved Governance Training Handbook; enhancing the productivity, governance, and viability of several water utilities via technical assistance; and exploring innovative ways of addressing the issue of non-revenue water.

- **Synthesising and sharing lessons from its programmes and elsewhere to enable their application at scale in its own sectors and in others.**

The research team conducted several projects in support of programme goals and broader partnerships, analysing the regional opportunity in agricultural inputs; publishing a report on trends in Kenya and the impact of COVID-19 on the country's development trajectory; undertaking a joint study with British International Investment – formally CDC - on how development finance institutions and private sector development-focused donors can collaborate; and evaluating GA's contribution to the Tanzanian cotton sector over the years. Reports such as these were shared with major government and donor stakeholders and helped contribute to wider debates about how to transform sectors and build stronger and more inclusive economies.

## **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.

### **Programme investments**

In common with other charities, GA undertakes programme investments in order to catalyse structural change in the sectors in which it operates, thereby improving relief from poverty. Such investments are loans, or guarantees for loans, that are provided to beneficiaries on concessionary, non-commercial terms and rates, typically where such finance is unavailable for the sector.

## **REPORT OF THE TRUSTEES (continued)**

GA, via its subsidiary, Msingi East Africa Limited, 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 on its programme investment portfolio in any financial year.

The loan portfolio is subject to impairment charges of £1.9 million at the end of the financial year, with the net carrying value of the portfolio reducing to £1.6 million at 5 April 2022, compared to a net carrying value of £2.6 million in the previous year. The principal reason for the impairment charge is the present uncertainty around the recoverability of amounts loaned to Victory Farms. Victory Farms, a major beneficiary of the programme investment activity, has entered into a standstill agreement with Gatsby Africa and its other creditors in April 2022 to temporarily suspend certain financial covenant and debt repayment milestones to permit it time to raise additional financing to meet its future operational needs.

A loan of £710,000 was made to Samakgro Limited to facilitate the construction of a feedmill production facility for the livestock and aquaculture sectors. Victory Farms is a partner in the joint venture which is the shareholder of Samakgro Limited.

Interest income of £228,000 was received on such loans during the year, a return of 5.9% 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.

### **Financial performance and reserves**

The Group recorded net expenditure of £4.1 million for the year, principally arising from the impairment charges of £1.9 million recorded against the programme investment portfolio, and £2.2 million of activity costs from Kenya Markets Trust. Gatsby Africa has used its reserves to cover these losses - reserves of the Charity at year end were £4.0 million; of which restricted Group reserves were £0.1 million and unrestricted Group reserves were £3.9 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, and have received a letter of ongoing financial support to this effect. 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.



**REPORT OF THE TRUSTEES (continued)**

**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.

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 26 September 2022 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 2022 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 2022 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members 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  
26 September 2022

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

**FOR THE YEAR ENDED 5 APRIL 2022**

	<i>Notes</i>	<b>Restricted Funds</b>	<b>Unrestricted Funds</b>	<b>Total Funds 2022</b>	<b>Total Funds 2021</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>					
Grants receivable	2.	219	14,006	14,225	16,411
Donations arising from transfers to sole membership	16.	-	-	-	6,180
Other income		-	399	399	798
<b>Total income</b>		<b>219</b>	<b>14,405</b>	<b>14,624</b>	<b>23,389</b>
<b>Expenditure</b>					
<b>Charitable activities</b>					
Grant expenditure	3.	-	573	573	677
Direct programme expenses	4.	219	15,468	15,687	11,975
Support costs	5.	-	2,509	2,509	2,407
<b>Total expenditure</b>		<b>219</b>	<b>18,550</b>	<b>18,769</b>	<b>15,059</b>
<b>Net (expenditure)/income for the year and net movement in funds</b>		<b>-</b>	<b>(4,145)</b>	<b>(4,145)</b>	<b>8,330</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		144	7,976	8,120	-
Movement in foreign exchange		-	23	23	(210)
<b>Total funds carried forward</b>		<b>144</b>	<b>3,854</b>	<b>3,998</b>	<b>8,120</b>

The notes on pages 15 to 25 form part of this Statement of Financial Activities.

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

**AS AT 5 APRIL 2022**

	Notes	2022		2021	
		Group	Charity	Group	Charity
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible fixed assets	7.	405	368	445	375
Investments in subsidiaries	8.	-	-	-	-
Programme investments	9.	1,695	47	2,646	-
		2,100	415	3,091	375
<b>CURRENT ASSETS</b>					
Debtors	10.	3,419	1,915	1,611	5,628
Cash at bank and in hand		2,299	1,529	5,322	1,094
<b>Total Current Assets</b>		<b>5,718</b>	<b>3,444</b>	<b>6,933</b>	<b>6,722</b>
<b>LIABILITIES</b>					
Creditors - amounts falling due within 1 year	11.	(3,731)	(3,770)	(1,779)	(6,972)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>1,987</b>	<b>(326)</b>	<b>5,154</b>	<b>(250)</b>
Total Assets Less Current Liabilities		4,087	89	8,245	125
Creditors - amounts falling due after 1 year	12.	(89)	(89)	(125)	(125)
<b>NET ASSETS</b>		<b>3,998</b>	<b>-</b>	<b>8,120</b>	<b>-</b>
<b>The funds of the charity:</b>					
Unrestricted funds		3,854	-	7,976	-
Restricted funds		144	-	144	-
		<b>3,998</b>	<b>-</b>	<b>8,120</b>	<b>-</b>

The net income of the parent charity for the financial year was £Nil (2021: £Nil).

The financial statements were approved and authorised for issue by the Trustees / Directors on 26 September 2022 and were signed on their behalf by:



Mr JC Burns  
Trustee

The notes on pages 15 to 25 form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

### FOR THE YEAR ENDED 5 APRIL 2022

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Net cash (outflows) from operating activities</b>	(2,104)	(403)
<b>Cash (outflows)/inflows from financing activities</b>	(919)	3,575
<b>Net cash (used)/provided from operating and financing activities</b>	<u>(3,023)</u>	<u>3,172</u>
<b>Cash at bank and in hand</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Change in cash at bank and in hand during the year	(3,023)	3,172
Cash at bank and in hand at beginning of year	5,322	2,150
Cash at bank and in hand at end of year	<u>2,299</u>	<u>5,322</u>
<b>Reconciliation of net income/(expenditure) to net cash (used in) operating activities</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Net (loss)/income for the year (as per the Statement of Financial Activities)	(4,145)	8,120
Donations arising from transfer to sole membership	-	(6,180)
Depreciation	168	192
Fixed asset acquisitions	(169)	(161)
Fixed asset disposals	53	(3)
Impairment charge on programme investments	1,870	-
(Increase)/Decrease in debtors	(1,808)	3,273
Increase/(Decrease) in creditors	1,916	(5,745)
Movement in foreign exchange	11	101
Net cash (used) from operating activities	<u>(2,104)</u>	<u>(403)</u>
<b>Net cash flows from financing activities</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
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
Repayments in period	-	(169)
Programme investment loan	(735)	-
Movement in foreign exchange	(184)	(23)
Net cash (repaid)/generated from financing activities	<u>(919)</u>	<u>3,575</u>

The notes on pages 15 to 25 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 is exempt from presenting its Statement of Financial Activities under s.408 of the Companies Act 2006.

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 16).

The consolidated Statement of Financial Activities, Balance Sheet and Cash Flows incorporate the results of the Charity for the year ended 5 April 2022 and of its subsidiaries, Msingi East Africa Ltd and Kenya Markets Trust, from the date that the Charity became their sole Member (see Note 8).

#### **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. Gatsby Africa has received a letter of ongoing financial support from Gatsby Charitable Foundation.

#### **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.



## **NOTES TO THE ACCOUNTS**

### **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

#### **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.

#### **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, the assessment of the recoverability of programme investments is an area of estimation uncertainty as by its nature the ability of a beneficiary to repay amounts lent to it is contingent upon future performance. In arriving at the estimate of the impairment charge the Trustees have taken into account operational and financial performance information supplied by beneficiaries, sector debt servicing trends, security provided in respect of loans and other relevant data.

There are no other areas where 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

	2022	2021
	£'000	£'000
<b>Grants Receivable</b>		
Gatsby Charitable Foundation	14,006	15,413
Department for International Development	-	855
Other	219	143
	<b>14,225</b>	<b>16,411</b>

### 3. GRANTS PAYABLE

Group	2022	2021
	£'000	£'000
Grants payable for the year	<b>573</b>	<b>667</b>

A grant of £573,000 payable to the Wood Foundation has been accrued at the end of the financial year. A grant of £667,000 was paid to Msingi in 2021 prior to the transfer of sole membership to Gatsby Africa (see Note 8).

Charity	2022	2021
	£'000	£'000
<b>Reconciliation of grants payable:</b>		
Commitments at 6 April 2021	5,793	4,100
Grants approved in the year	6,231	5,833
Grants cancelled in the year	(1,184)	(706)
Grants payable for the year	<b>5,047</b>	<b>5,127</b>
Grants paid during the year	<b>(3,858)</b>	<b>(3,434)</b>
Commitments at 5 April 2022	<b>6,982</b>	<b>5,793</b>

#### Commitments at 5 April 2022 are payable as follows:

	2022	2021
	£'000	£'000
Within one year (note 9)	<b>1,724</b>	<b>5,793</b>

Commitments at year end are payable to the following beneficiaries:

	2022	2021
	£'000	£'000
The Wood Foundation	573	-
Msingi	1,151	5,793
	<b>1,724</b>	<b>5,793</b>

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 2022 was £5,658,000 (2021: £400,000).

## NOTES TO THE ACCOUNTS

### 4. DIRECT PROGRAMME EXPENSES

	2022			2021
	Direct Costs	Staff Costs	Total	Total
	£'000	£'000	£'000	£'000
Tanzanian Cotton and Textiles	1,030	1,347	2,377	2,838
Tanzanian Forestry	575	1,104	1,679	1,812
Kenyan Forestry	815	1,463	2,278	2,046
Msingi	4,445	1,459	5,904	3,271
Kenya Markets Trust	1,033	1,279	2,312	1,219
Sharing and Synthesising Lessons	278	859	1,137	789
	<b>8,176</b>	<b>7,511</b>	<b>15,687</b>	<b>11,975</b>

Msingi programme expenses include impairment charges of £1,870,000 (2021: impairment charge reversal £199,000).

### 5. SUPPORT COSTS

	2022			2021
	Charitable Activities	Governance	Total	Total
	£'000	£'000	£'000	£'000
Staff costs	1,620	-	1,620	1,749
Share of joint office costs	242	-	242	209
Direct costs including travel, consultancy, legal and professional fees	570	-	570	396
	<b>2,432</b>		<b>2,432</b>	<b>2,354</b>
Auditors' remuneration	-	77	77	53
	<b>2,432</b>	<b>77</b>	<b>2,509</b>	<b>2,407</b>

Auditors' remuneration comprises £32,000 (2021: £28,000) paid to the Charity's group auditors, and £45,000 (2021: £25,000) paid to affiliates of the group auditors based overseas. Irrecoverable VAT of £5,000 (2021: £5,000) are included with the amount paid to the Charity's group auditors.

Included within grant-related support costs is a total of £46,000 (2021: £68,000), which relates to legal services provided by Portrait Solicitors, a firm in which Miss JS Portrait OBE was a partner.

### 6. ANALYSIS OF STAFF COSTS

	2022	2021
	£'000	£'000
Wages and salaries	8,681	6,825
Social security costs	398	182
Other pension costs	355	346
	<b>9,434</b>	<b>7,353</b>

The average number of staff employed during the year was 150 (2021: 158). Staff costs include contributions to money purchase pension schemes.

No Trustees received remuneration during the year (2021: £Nil). Travel expenses of £4,245 were paid on behalf of one Trustee during the year (2021: £2,642). Having regard to the roles of its staff, the Charity considers its key management personnel to comprise 4 staff (2021: 4 staff), to which total compensation paid, including employer contributions to group personal pensions during the year was £500,572 (2021: £499,331).

## 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:

	2022	2021
	No.	No.
£60,001 - £70,000	3	3
£70,001 - £80,000	3	1
£80,001 - £90,000	2	4
£90,001 - £100,000	1	-
£120,001 - £130,000	1	1
£170,001 - £180,000	1	1

The Charity is one of the Sainsbury Family Charitable Trusts which share a joint administration at the Registered Office. 19.0% (2021: 20.6%) 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 2021/22. Staff costs equivalent to 17.7 (2021: 17.7) 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	868	652	316	1,836
Acquisitions	68	14	87	169
Disposals	(318)	(109)	(126)	(553)
Movement in foreign exchange	(36)	(9)	15	(30)
At end of year	582	548	292	1,422

#### Accumulated depreciation

At beginning of year	780	351	260	1,391
Depreciation charge for the year	48	59	61	168
Disposals	(318)	(63)	(119)	(500)
Movement in foreign exchange	(35)	(8)	1	(42)
At end of year	475	339	203	1,017

#### **Net book value at 5 April 2022**

<b>107</b>	<b>209</b>	<b>89</b>	<b>405</b>
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#### Net book value at 5 April 2021

88	301	56	445
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## NOTES TO THE ACCOUNTS

### 7. TANGIBLE FIXED ASSETS (continued)

#### Charity

	Motor vehicles	Furniture and fittings	Computer equipment	Total
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	549	347	190	1,086
Acquisitions	68	2	63	133
Disposals	-	(6)	(22)	(28)
Movement in foreign exchange	(36)	19	(4)	(21)
At end of year	581	362	227	1,170
<b>Accumulated depreciation</b>				
At beginning of year	461	109	141	711
Depreciation charge for the year	48	50	47	145
Disposals	-	(1)	(21)	(22)
Movement in foreign exchange	(35)	8	(5)	(32)
At end of year	474	166	162	802
<b>Net book value at 5 April 2022</b>	<b>107</b>	<b>195</b>	<b>65</b>	<b>368</b>
Net book value at 5 April 2021	88	238	49	375

### 8. INVESTMENTS IN SUBSIDIARIES

	2022		2021	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Msingi East Africa	-	-	-	-
Kenya Markets Trust	-	-	-	-
East Africa Tea Investments	-	-	-	-
	-	-	-	-

#### *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 of £3,563,000 were donated to Gatsby Africa as at the end of June 2020 for £Nil consideration.

#### *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 Kenya Markets Trust from this date. Net assets at book and fair value of £2,617,000 were donated to Gatsby Africa as at the end of October 2020 for £Nil consideration.

#### *East Africa Tea Investments*

In February 2021, 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 the investment is recorded at £Nil consideration.

## NOTES TO THE ACCOUNTS

### 9. PROGRAMME INVESTMENTS

Group	Concessionary loans	Guaranteed loans	Total
<u>Cost</u>	£'000	£'000	£'000
At beginning of year	2,621	295	2,916
Advances made during the year	688	47	735
Movement in foreign exchange	182	30	212
At end of year	3,491	372	3,863
<u>Impairment provision</u>			
At beginning of year	(251)	(19)	(270)
Impairment charge	(1,870)	-	(1,870)
Movement in foreign exchange	(26)	(2)	(28)
At end of year	(2,147)	(21)	(2,168)
<b>Net book value at 5 April 2022</b>	<b>1,344</b>	<b>351</b>	<b>1,695</b>
Net book value at 5 April 2021	2,370	276	2,646

Concessionary loans to the following beneficiaries totalled more than 5% of the balance due from programmes investments (before impairment provision):

	Total loan	2022	Total loan	2021
<u>Cost</u>	£'000	%	£'000	%
Victory Farms	2,448	64	2,297	78
Samakgro Limited	710	18	-	-

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.

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>	£'000	£'000	£'000
Due within one year	-	5	5
Due after more than one year	1,344	346	1,690
<b>At 5 April 2022</b>	<b>1,344</b>	<b>351</b>	<b>1,695</b>
At 5 April 2021	2,370	276	2,646

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

Deposits of £304,000 (2021: £276,000) have been placed with Uganda Development Bank at year end to secure guaranteed loans of £199,000 (2021: £187,000) that have been made by the Uganda Development Bank to the following beneficiaries: Ferdults, Rock Springs, Pearl Aquatics, Nyanja Fisheries. The guarantees enable debt financing which is otherwise not available to be provided to beneficiaries in the Kenyan aquaculture sector.

## NOTES TO THE ACCOUNTS

### 9. PROGRAMME INVESTMENTS (continued)

#### *Victory Farms*

In April 2022 Victory Farms entered into a standstill agreement with its creditors (including Msingi East Africa Limited) providing a temporary waiver of financial covenants and the deferral of debt repayments for a period of time in order for the company to secure additional financing. The company was successful in raising US \$4.0 million of funding in May 2022, and plans to raise a further US\$10.0 million in funding by December 2022.

Victory Farms has met its forecast operating budgets since the agreement was reached with creditors, albeit the company still continues to incur losses. Trustees anticipate that there is a reasonable prospect of future repayment of the loan due from Victory Farms. Nevertheless a cautious approach has been taken to the assessment of impairment of the amount that is repayable, and have recorded an impairment charge of £1,775,000 (2021: £89,000) has been provided against the programme investment. At year end the net amount estimated as recoverable from Victory Farms is £576,000 (2021: £2,211,000).

#### *Samakgro Limited (Samakgro)*

During the year Msingi East Africa Limited advanced £710,000 to Samakgro to enable it to commence construction of an agricultural and aquaculture feedmill production facility. Samakgro is a joint venture between two partners, one of which is Victory Farms. Victory Farms expects to benefit from feed supply arrangements in future once the production facility is fully commissioned.

Reports provided to the Trustees indicate that construction is proceeding as planned. Accordingly no provision for impairment has been made against the loan. At year end the net amount estimated as recoverable from Samakgro Limited is £710,000 (2021: £Nil).

The terms of the loan agreement between Msingi East African Limited and Samakgro provide that a further £524,000 will be advanced upon Samakgro meeting a number of conditions. No accrual has been made for this commitment at year end as the conditions precedent to the next loan instalment have not been met.

#### Charity

#### Cost and net book value

At beginning of year

Advances made during the year

Movement in foreign exchange

**Cost and net book value at 5 April 2022**

#### Guaranteed loans

£'000

-

47

-

47

Cost and net book value at 5 April 2021

-

Deposits of £47,000 (2021: £Nil) have been placed with Tanzania Commercial Bank at year end to secure guaranteed loans of £20,000 (2021: £Nil) that have been made by the Tanzania Commercial Bank to the following beneficiaries: Narcis Ndunguru and Nicolaus Tonga. The guarantees enable debt financing which is otherwise not available to be provided to beneficiaries in the Tanzanian forestry sector.

Loan repayment terms are between 1 – 2 years. Programme investments are expected to be repaid by beneficiaries as follows:

#### Net book value

Due within one year

Due after more than one year

**At 5 April 2022**

At 5 April 2021

#### Guaranteed loans

£'000

5

42

47

-

## NOTES TO THE ACCOUNTS

### 10. DEBTORS

	2022		2021	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Grants receivable	543	543	1,068	5,167
Other debtors	2,746	1,287	279	243
Prepayments and accrued income	130	85	264	218
	<b>3,419</b>	<b>1,915</b>	<b>1,611</b>	<b>5,628</b>

The Group balance of other debtors includes a fixed term deposit of £1,400,000 (2021: £Nil),

### 11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022		2021	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Grants payable within one year	573	1,769	-	5,793
Trade creditors	230	230	609	145
Other creditors	2,100	1,578	748	671
Accruals and deferred income	828	193	422	363
	<b>3,731</b>	<b>3,770</b>	<b>1,779</b>	<b>6,972</b>

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

Other creditors include £405,000 (2021: £318,000) advanced to acquire fixed assets, repayable over the useful lives of those assets, of which £306,000 (2021: £193,000) is repayable within one year and £100,000 (2021: £125,000) is repayable after one year.

### 12. CREDITORS - AMOUNTS FALLING DUE AFTER ONE YEAR

	2022		2021	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Other creditors	89	89	125	125

### 13. 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.



## NOTES TO THE ACCOUNTS

### 14. 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 annual commitments under non-cancellable operating leases, which fall due as follows:

	2022		2021	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Within one year	175	85	52	-
Within 2 – 5 years	537	537	184	184

Annual operating lease costs incurred by the Group during the financial year were £518,000 (£469,000).

### 15. 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.

### 16. 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 subsidiaries 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. INTERNATIONAL SUBSIDIARIES AND BRANCHES (cont.)**

The financial results of the subsidiaries for the year were:

	<b>2022</b>		<b>2021</b>	
	<b>Msingi</b>	<b>KMT</b>	<b>Msingi</b>	<b>KMT</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Income	4,103	83	3,751	1,764
Expenditure	(5,904)	(2,248)	(2,966)	(1,048)
Net (expenditure)/income for the year	<b>(1,800)</b>	<b>(2,165)</b>	785	716
Total assets	2,893	1,716	3,396	3,628
Total liabilities	(1,646)	(389)	(276)	(323)
Net assets	<b>1,247</b>	<b>1,327</b>	3,121	3,305

On or around the end of the financial year substantially all of the activities, operations and employment arrangements of Msingi East Africa Ltd and Kenya Markets Trust were transferred to Gatsby Africa – Kenya branch. The impact of the transfers will be to bring the results of the Charity more in line with those of the Group.