

# **The Pharo Foundation**

## **Annual Report and Financial Statements**

For the year ended 31 December 2020

Company Limited by Guarantee  
Registration Number 07678862  
(England and Wales)

Charity Registration Number 1143152

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## Reference and administrative information

<b>Trustees</b>	Mr Matthieu Baumgartner Mr Guillaume Fonkenell Ms Farah Jirdeh-Fonkenell Ms Gulden Kazandag (Resigned 21 December 2020) Mr Mustafa Jama (Joined 21 December 2020) Mr Nicolas Sagna
<b>Chief Executive Officer</b>	Ms Gulden Kazandag
<b>Principal office</b>	154 Brompton Road 3 <sup>rd</sup> Floor London SW3 1HX
<b>Charity registration number</b>	1143152
<b>Company registration number</b>	07678862 (England and Wales)
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Principal Bankers</b>	HSBC Bank Plc 16 King Street Covent Garden London WC2E 8JF
<b>Solicitors</b>	Farrer & Co LLP 66 Lincoln's Inn Fields London WC2A 3LH

# **Trustees' Report (including Strategic Report)**

## **For the year ended 31 December 2020**

The Trustees present their statutory report together with the consolidated financial statements of The Pharo Foundation (the "Foundation") and its subsidiaries for the year ended 31 December 2020.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and constitutes a directors' report for the purpose of company legislation.

The financial statements have been prepared in accordance with the accounting policies set out on pages 36 to 39 therein and comply with the charitable company's Articles of Association, applicable laws and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

### **1. Introduction**

In 2020 The Pharo Foundation continue to work with the new Vision, Mission and Values and these are at the forefront of the day-to-day operations of the organisation.

#### **1.1 Our vision**

The Pharo Foundation's vision is an inclusive and economically vibrant Africa.

#### **1.2 Our mission**

Our mission is to achieve our vision by investing in Africa's human and physical capital, with a strong focus on job creation.

#### **1.3 Our values**

Our values are:

- Passion and Respect
- Creativity and Entrepreneurship
- Trust and Accountability

### **2. Objectives and Activities**

#### **2.1 Purpose**

The objects of the Foundation are to invest in Africa's human and physical capital so as to foster an inclusive and vibrant economy on the continent. The availability of capital, both human and physical, is indispensable to the development of any society. No people or economy can flourish without it. Unfortunately, many African countries suffer from a deficit in both human and physical capital.

Our strategy is focused on empowering communities and countries through investment in their people and infrastructures. Our integrated programmes are anchored in Agriculture, Education, Health, Water and Social Enterprise development. We seek to optimise results through development programmes aimed at achieving economic self-reliance at the family and community level, in line with our vision of an inclusive and economically vibrant Africa.

## **Trustees' Report (including Strategic Report)**

### **For the year ended 31 December 2020**

#### **2.2 Objectives**

The following were our key objectives for 2020:

In Ethiopia

- Agree and start the implementation of a new 5-year plan with the Benishangul Gumuz Regional State (BGRS) government, covering all four areas of focus.
- Establish a commercial farm, as well as a business plan for subsequent social enterprises.
- Continue improving operations and education standards at Pharo School Homosha

In Somaliland

- Continue consolidation and growth of a strong Foundation team
- Ensure the smooth operation, fiscal discipline and academic excellence at Pharo Schools.
- Continue the expansion of the ECE programme to 2 additional public schools.
- Continue implementation of the Agriculture programme

In Kenya

- Consolidate our office in Nairobi with the right team and establish the headquarters for social enterprises in East Africa.

In Rwanda

- Establish the Foundation's legal presence.
- Analyse the potential of acquisition of primary/secondary schools to be the anchor entry point into the country.

#### **2.3 Activities**

We envisaged that 2020 would be a year of real growth and faster expansion for the Foundation. Subsequently, despite the challenges posed by the COVID19 pandemic, we not only consolidated and expanded our programmes in Ethiopia and Somaliland; we also established our presence in Rwanda in November 2020.

Moreover, with the vision of setting up an impact driven portfolio of businesses across East Africa, we successfully established Pharo Ventures in Kenya and Rwanda. Pharo Ventures finalised all the legal and preparatory work for establishing its presence in Ethiopia and Somaliland in the first quarter of 2021.

### **3. Achievements and Performance**

The Pharo Foundation has made significant strides in the reporting period:

In Ethiopia, the development of a new five-year (2020-2024) Social and Economic Empowerment Programme (SEEP), the official opening of the Pharo School Homosha, the cultivation and planting of Pharo Farm, the setting up of a Pharo Diagnostic Centre and the opening of Pharo Primary School Assosa were among the major accomplishments of the year.

To complement the regional response to the COVID19 pandemic the Foundation supplied 42,000 facemasks, 20 thermo scanners and 6 oxygen concentrators to the BGRS COVID19 response task force.

Moreover, the Foundation carried out 3 major assessments: evaluation of the three year Education and Integrated Livelihoods Development Programme (EILDIP), a comprehensive assessment on the functionality and usage of shallow water wells developed by the Foundation, and the SEEP baseline survey.

In Somaliland, the year 2020 marked the graduation of Cohort II drip-irrigation farmers and the enrolment of Cohort III, taking the total number of participants trained in drip irrigation and good agricultural practice to 176.

## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

The construction of a Berkad (underground water storage facility) in Ilma Dado village was another major milestone. The Berkad is the first of its kind and has the capacity of storing 432m<sup>3</sup> of water for human consumption and an additional 51m<sup>3</sup> water in its sedimentation chamber for animal consumption.

In the reporting period, two additional ECE centres were built and became operational, in Daloodho and Maxamed Alifdoon Primary Schools. The programme is now serving 673 (320 boys and 353 girls) in twelve ECE centres.

Pharo Schools, in the meantime, continued to establish themselves as top in class. The schools stood out for their efforts in online learning through school closures due to the Covid pandemic.

In Kenya, the Foundation continued establishing its presence in Nairobi as the East African headquarters and a CEO for Pharo Ventures, Director of Education and Head of HR were recruited.

In Rwanda, we completed the legal registration process of our entities and continued discussions with SOS Rwanda regarding taking over their existing portfolio of schools.

Details of the above and other programmatic achievements and challenges are shown in the subsequent sections.

### 3.1 Ongoing grant projects

We continued supporting the implementation of legacy grant projects by partner organisations. Three grant projects were still under implementation at the end of the year as shown in **Table 1**.

**Table 1:**

Grant Project	Project Location	Grant Project Objective
Barwaaqo University	Somaliland	To set the standard for Somaliland higher education institutions, producing and training well-rounded teachers who live by the values of integrity, tenacity and critical thinking.
Kigutu Hospital / Women's Health Pavilion – Village Health Works	Burundi	Construction and running costs of the Kigutu Hospital, a state of the art 150-bed teaching hospital, to meet the needs of women and children.
SOS Children's Village Rwanda	Rwanda	Partial funding of operating costs for SOS Schools in Kayonza, Kigali, Byumba and Gikongoro.

In addition to partner organisations, the Foundation promotes the involvement of its sister organisation, Pharo Management, in international development. Each year Pharo Management employees are encouraged to identify and put forward a one-year proposal for approval. The employee then gets involved in implementation and light-touch monitoring of the project as well. In 2020, there was one such employee grant approved. Based on the proposal, the USD 25,000 grant was awarded to ASSIST, a US based organisation, to help with scholarships and school placements for Abaarso students in the United States. The grant covered 3 students who were sent to boarding schools in the US from Somaliland.

### Staff changes

In 2020, the headcount ended the year at 298, up from 232 in 2019; a substantial increase of 28.5% year-on-year. The majority of growth for 2020 came from staff at the Pharo Schools in both Ethiopia and Somaliland as well as Pharo Ventures. In addition, a Director of Education joined us in Nairobi in August 2020 to support the Education expansion initiatives across East Africa.

Pharo Ventures kicked off in January with the joining of the CEO, followed by heads in Ethiopia and Somaliland, as well as an Investment Analyst based in Nairobi.

## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

Of the 298 employees, 285 are permanent at the programme level and are supplemented by 13 temporary staff; compared to 55 permanent and 18 temporary staff respectively at the end of 2019. Most of the departures were in Ethiopia, mainly due to the completion of various contracts at the Pharo School. We have increased our recruitment efforts across all countries and expect our staff numbers to grow in a controlled manner in 2021 and beyond as we expand into Rwanda and Pharo Ventures teams continue to grow.

### 3.2 Programme development

Envisioning an inclusive and economically vibrant Africa, we work with communities and partners in developing and implementing programmes that aim at transforming human and physical capital. We focus on people and communities with the potential to become economically self-reliant and able to effect wider change.

We take an entrepreneurial approach to development; we invest in programmes with a potential to self-sustaining and bring about the optimal social and economic return. Guided by the Foundation's mission and values, our country teams continue to seek such opportunities and work with our partners in developing integrated programmes anchored in priority sectors.

Our five-year (2020-2024) Social and Economic Empowerment Programme (SEEP) in Ethiopia, the consolidation of Pharo Ventures and the establishment of the Rwanda entity were among the major programme development accomplishments of 2020. The process involved rigorous context assessment, community consultations as well as social and economic return analysis.

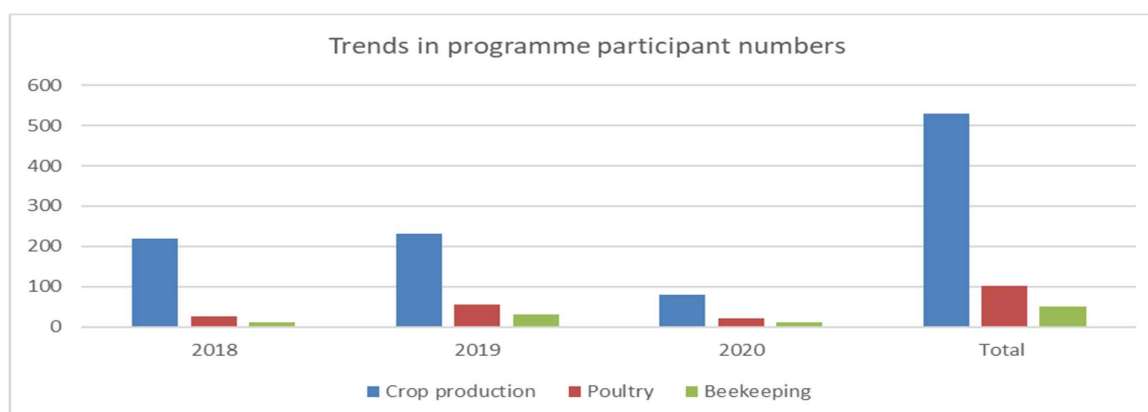
#### 3.2.1 Ethiopia

Despite the challenges of COVID19, our Ethiopia team made significant strides in 2020. The year marked the successful completion of our initial 3-year integrated programme called the Education and Integrated Livelihood Development Programme (EILDP) in BGRS and the launch of a new programme.

Building on the achievements and lessons learnt in the past three years, this time a new and longer five-year (2020-2024) programme called the Social and Economic Empowerment Programme (SEEP) has been developed. Like its predecessor, SEEP has four programme components, but has a much wider geographic coverage and increased number of programme participants. Targeting four woredas, or districts, SEEP envisages increasing agricultural productivity of 1,500 farmers, improving access and quality of education for more than 10,815 children, enabling 29,000 people access water from improved water sources and reaching more than 63,500 people in health and sanitation interventions.

##### a. Improving agriculture production and productivity

In 2020, an additional 110 new households joined the agriculture programme, raising the total number of participants to 681 households. Of these households, 530 participate in crop production, 101 in poultry and 50 in beekeeping. The lower enrolment of new participants for the year 2020 was due to COVID19 restrictions on movement and the gathering of people, as well as the early arrival of the rainy season.



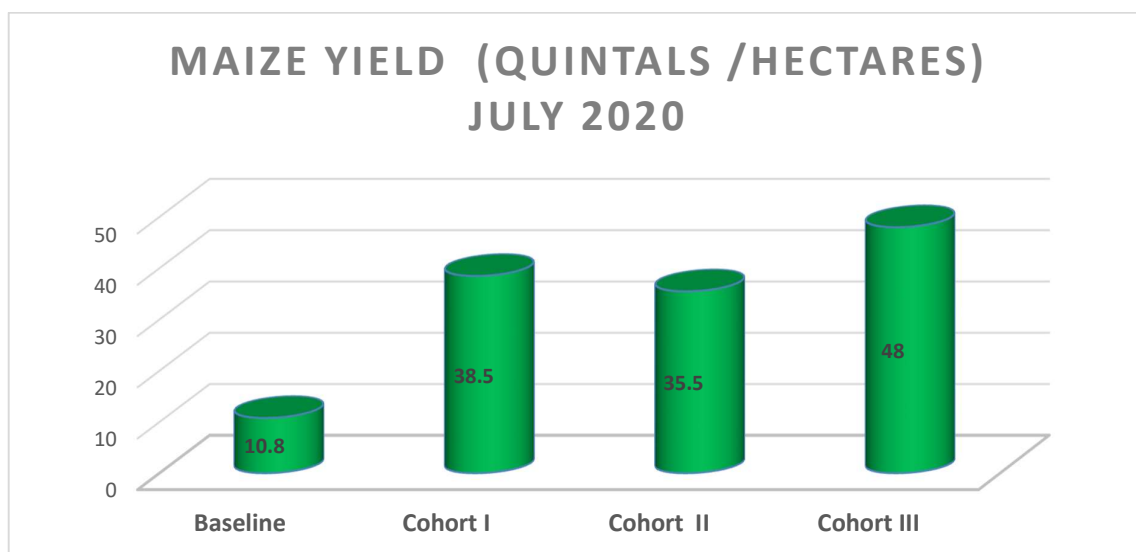
## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

### Improving crop production and productivity

During the 2020 crop season, most programme participants chose to cultivate maize, owing to its high yield potential, being a staple food for the area, resistance to field challenges and higher local market demand. Accordingly, the Foundation delivered the BH 540 maize variety, as per the choice of the farmers and the recommendation of local agriculture experts, with the necessary technical support throughout the cropping season.

In July, as part of the overall evaluation of the first three-year programme, productivity was assessed using the Crop Cut Estimate (CCE) method in randomly selected farms of the three cohort programme participants. The results revealed that maize productivity had increased fourfold in each of the three cohorts.

The chart below depicts the average maize yield per hectare as measured in July 2020 compared to the baseline data collected in 2017. Cohort I represents participants that joined the programme in 2018, Cohort II in 2019 and Cohort III in 2020.



### Poultry



Household poultry production has important economic, social, and cultural benefits and plays a significant role in a family's nutrition. However, previously, only a few households engaged in poultry in the programme area owing to the lack of access to improved varieties, limited knowledge and skill of managing poultry, poor extension services as well as slow growth, late maturity, and low productivity of the indigenous chicken varieties.

The Foundation has been introducing exotic breeds of poultry with high productivity such as Brown (BB), Babcock and dual-purpose hybrid Potchefstroom Koekoek breeds to the programme area since 2018.



## **Trustees' Report (including Strategic Report) For the year ended 31 December 2020**

During the 2020 cropping season, 612 Koekoek variety were provided to 36 targeted participants from 4 programme kebeles of Menge Woreda. The improved breed provision was supplemented with training and continuous extension support on proper production and management, which included poultry feeding, poultry disease management and poultry housing.

The initial results are encouraging with reported 10% increase in poultry and egg consumption of households as well as significant additional income generation.

### **Beekeeping**

The programme area is endowed with a variety of flowering and non-flowering vegetation and wild honey collection has been an age-old practice of the community. However, beekeeping has remained predominantly traditional. As per our baseline study, only 5.6% of the programme participants possessed beehives in 2017.

The knowledge and skill gap in apiculture hinders the community from harnessing the potential of the environment for producing good quality honey for household consumption, subsidising income and improving biodiversity.

In this reporting period, 14 additional households enrolled in training for modern beekeeping knowledge and skill development. Upon completion, each of the participants, selected from Keshaf, Abora, Belmegoha and Kidiyu kebeles, was provided with one transitional and one modern beehive.

### **Small ruminant livestock**

Small ruminant husbandry is an important economic activity for many rural households. However, in most parts of the region, the practice is very traditional with low input and low output. This again is mainly due to gaps in skill and knowledge, poor extension services and animal health care services.

With the objective of introducing improved ways of small ruminant animal husbandry, the Foundation initiated a pilot programme with 20 target participants in Menge Woreda. Comprehensive training on intensive small ruminant animal husbandry practices was provided. Of the twenty participants, fifteen completed the construction of a small ruminant animal house as per the standard, which is one of the preconditions for receiving improved breeds from the Foundation as the next step in the project.

### **Access to finance and the market**



Like many of their counterparts, farmers in our programme area suffer from limited or no access to the financial market and services. Although, it is becoming common in many parts of the country that farmers organise themselves and establish cooperative unions to facilitate the supply of agricultural inputs and create market outlets for their produce, the process has been slow in our programme area.

After a concerted effort of frequent and sustained consultation with programme participants, we succeeded in establishing the first farmers' cooperatives' union in Menge Woreda. Four independent primary farmers' cooperatives with 521 members formed the multipurpose cooperatives' union. In 2020 the union's working capital reached ETB 906,778.70 ETB (USD 21,871). The Foundation supported the process by constructing a warehouse for improved post-harvest handling and storage for a better market price.

### **Advancing Good Agricultural Practices (GAP)**

The Foundation's approach to advancing good agricultural practices is multi-dimensional. Upon enrolment, programme participants receive modular training in Farmer Training Centres (FTCs). The Foundation's agriculture field workers provide continuous on-and-off farm extension services in

## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

collaboration with government development agents. Moreover, the Foundation programme office organises farmers' field days, farmer-to-farmer experience sharing programmes and exposure visits to research sites.

Farmer Training Centres (FTCs) serve as training venues, demonstration sites, technology transfer centres and community information sharing hubs. In 2020, the Foundation constructed one new FTC in Abora Kebele which is fully furnished with the necessary furniture and farming skill development materials.



All 2020 newly enrolled programme participants received modular training on components of good agricultural practices (GAP) as well as specialised areas of poultry, beekeeping, and small ruminant animal production and management skills. Moreover, training on Conservation Agriculture (CA) was provided to 50 programme participants selected among the three cohorts. Trained farmers have cultivated a portion of their farm applying CA principles that entails a minimum hours

of tillage and mulching to suppress weed growing and reduce soil moisture loss.

### **b. Improving access and quality of education**

The official inauguration of Pharo School Homosha and the establishment of Pharo Primary School Assosa are the two major accomplishments of the year, along with our continuous public school upgrading activities.

#### **Pharo School Homosha**

The Pharo School Homosha official opening ceremony was held on Feb 29, 2020. Five hundred and sixty (560) guests including parents, community representatives, students as well as regional and federal government officials and the media attended the full day ceremony. The event was successful in creating regional and national level acknowledgement of the Foundation's investment in not only establishing the boarding school but also completing several other developmental projects in the region.



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*H.E. Ashadlie Hasan, President of the Benishangul Gumuz regional government, H.E. Dr. Eng Getahun Mekuria, Minister of Federal Ministry of Education and Mr Jima Dilbo, Director General of Federal Charities and Civil Societies Agency, together with the Foundation's CEO and a Foundation Board Member led the colourful ribbon cutting ceremony.*

*Students with Captain Amsale Gualu*



The highlight of the day was the inspirational talks by prominent Ethiopian female personalities and their interaction with the Pharo School Students. This group included Olympic Gold medallist and 10km world record holder (Almaz Ayana), the first female senior captain of Ethiopian Airlines (Amsale Gualu), renowned singer and charity activist (Chachi Tadesse), author and activist (Marry Jafar), activist and media mogul (Zemi Yenus).

*Students with athlete Almaz Ayana*

Each guest made inspirational speeches from their own experiences and held individual and smaller group conversations with the students throughout the day.

Not long after the spectacular opening ceremony, COVID19 started spreading in Ethiopia. As it is the case in many schools around the world, the pandemic posed additional challenges on Pharo School Homosha. Mandated by the Regional Education Authority, the school had to suspend face-to-face teaching and closed its doors. Subsequently, on 25th March students were transported back to their families.

Due to limited internet access in areas where students and teachers are based, online education proved to be difficult. The Foundation and school staff then devised an alternative mode of delivering lessons via local FM radio, which had not been tried before in the region. Hence, from June 2020, the school managed to broadcast Grade 9 and 10 lessons on the radio that benefited not only our girls but also Grade 9 and 10 students across the region.

The programming was broadcast for one hour each day, five days a week covering all school subjects, with each subject segment complying with the 15-minute duration regulation. Subject content planning





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and logistics with the FM radio station and the Regional Education Authority was ongoing for much of April and May, with initial obstacles eventually being overcome.

Students were contacted every two weeks to maintain dialogue and solicit student feedback on the broadcasts. Students were very excited by the broadcasts, which not only helped to continue education in this unprecedented time but also build greater regional awareness of the Pharo School, potentially leading to more demand for the school in the coming years.



*Pharo School Homosha teachers' residence (right) and service quarters (left) that accommodate around 50 teaching and support staff. The construction of these two structures was completed in the last quarter of 2020.*

### Pharo School Assosa

The establishment of Pharo School Assosa is an extension of our commitment to offering life changing opportunities for children and young people through the provision of quality education with affordable fees. The plan was to open a K-12 high quality school that works to achieve the highest standard of intellectual and personal development with an emphasis on Science, Engineering, Technology, Mathematics (STEM) and English as well as teaching the Ethiopian national curriculum at the highest standard.

To this end, we decided to start the much needed service in a rented facility in the 2020/21 academic year.

Consequently, meeting all the regulatory requirements and revamping the facility, Pharo Primary School Assosa opened in October 2020, enrolling 168 students across grades 1-4. The school is staffed with a highly qualified head teacher, ten experienced teachers and ten support staff.



### Public Schools upgrading

## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

Most public schools in the programme area are poorly constructed, unsanitary, and overcrowded. Since 2018, the Foundation has constructed six new additional classroom blocks each containing four classrooms, nine student toilets, and two water-harvesting structures and established one new primary school in Belmegoha Kebele. These interventions improved the learning environment of more than 5,000 children. In 2020 an additional two new classroom blocks, two toilet blocks and a water harvesting structure were built in Abora, Tumet Aziz and Alharam primary schools, which used to have 1:75 and 1:92 classroom: student ratios, expected to improve significantly with the new additions.



*Roof water harvesting structure (Abora)*



*Student toilet block (Tumet)*



*Tumet Primary School  
additional block.*

Expanding our work in the Early Childhood Care and Education (ECCE) three pre-primary education centres constructed in Tumet, Alharam and Abora primary schools will start operation in 2021.



*Abora ECCE*



*Tumet ECCE*



*Alharam ECCE*

Five schools in the programme area; Menge primary, Belmegoha, Tumet, Keshaf and Abora were provided with reference books and other instructional materials, while 350 children (178 boys and 172 girls) from disadvantaged families received essential learning materials.

### **c. Increasing access to clean and adequate drinking water**

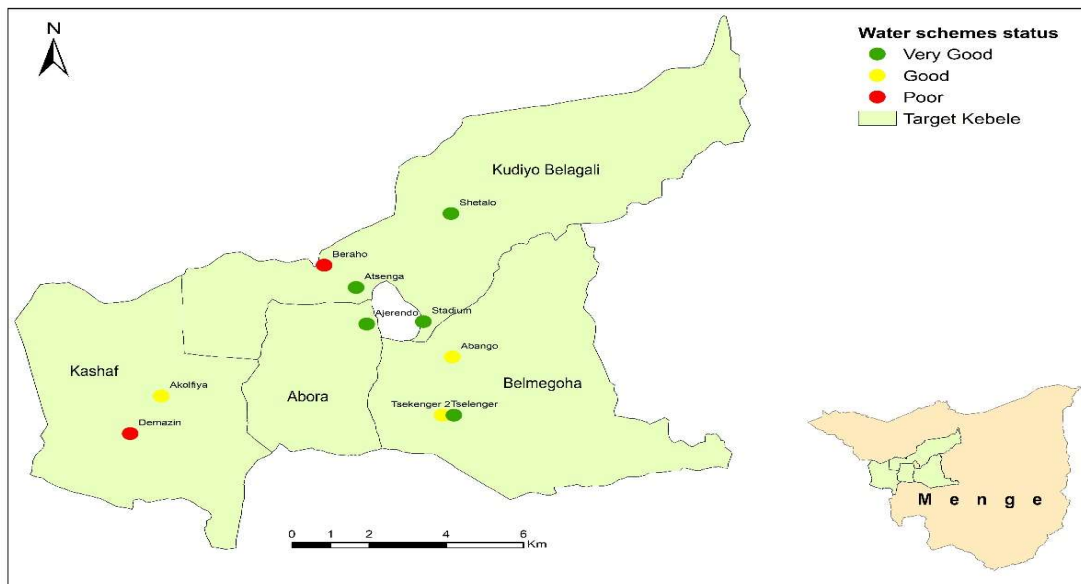
In 2020, the plan was to develop three deep-water wells with all the necessary electromechanical work and an 11km pipeline installation that would alleviate the severe water shortage of the regional capital Assosa. Unfortunately, the general slowdown of activities due to the COVID19 pandemic and the early



## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

arrival of the rainy season slowed down the process. Nonetheless, we conducted the hydrological investigation study in collaboration with Assosa Town Water Supply Authority and rescheduled the rest of the activities to 2021.

In Menge Woreda, we conducted a comprehensive assessment on the functionality and usage of 11 new shallow wells that the Foundation had developed from 2018 to 2019. The assessment revealed that 83% of Cohort I, 86% Cohort II and 95% of Cohort III programme participants have access to these improved water sources within 30 minutes as compared to only 59% of them during the baseline in 2017. The map below depicts the location and performance of 11 shallow wells developed by the Foundation as of July 2020.



*Abango shallow well in Belmegoha Kebele with water good yield*

Although there is a significant improvement in accessing potable water, per capita water consumption remains low. Only 10% of the population consumes the government standard of 25 litres/capita/day. The low ratio indicates the need for continued infrastructure work and more public awareness on hygiene and sanitation. Both activities are part of our subsequent activities in SEEP.

## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

### d. Improving access and quality of health services

#### Pharo Diagnostic Centre Assosa



The plan to expand our health works in 2020 was significantly affected by the COVID 19 pandemic. We had to postpone the physical upgrading and equipping of public health centers in Menge and Homosh Woredas to the first quarter of 2021.

However, we carried on the conceptualisation and establishment of the Pharo Diagnostic Centre (PDC) in Assosa Town. In addition, the Foundation took steps in hiring the necessary senior personnel and identifying an ideal location to start the much-needed service in a rented facility.

The centre under establishment envisions becoming a dependable partner in the quality of health care, and aims to provide accurate and client-friendly diagnostic services including medical laboratory and imaging studies. We hired a laboratory technologist to lead the establishment and management of the centre. A centrally located premise has been rented and refurbished. We expect to be operational in the second half of 2021.

#### ICU support and COVID 19 response

To complement the regional response to the COVID19 pandemic the Foundation supplied 42,000 facemasks, 20 thermos scanners and 6 oxygen concentrators to the regional COVID response task force. The supplies were delivered to the head of the regional health office, Mrs. Frehiwot Abebe, in the presence of the regional public health emergency management and logistics team as well as other departments of the regional health bureau and the media.



*Further to the performance-based supply of consumables and quality assuring items to Assosa General Hospital ICU, the Foundation supplied oxygen concentrators that are much needed*



## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

### Community Hygiene and Sanitation promotion

Our sanitation and hygiene intervention follows a two-pronged approach, which includes the supply side interventions and the demand creation interventions. From the demand creation interventions, community empowerment activities using Community Led Total Sanitation and Hygiene (CLTSH) and Community Conversation (CC), sanitation promotions and targeted training for mothers are key activities. In 2020, we were able to deliver CLTSH Training of Trainers (ToT) training for the health workers and kebele leaders. Forty facilitators received the blended community engagement training to initiate the engagement at the kebele level to achieve improved sanitation. After the training, facilitators from 9-target kebeles have formed community conversation groups to discuss and take collective action to achieve improved sanitation.

On the other hand, the supply side intervention of our sanitation and hygiene initiatives included public latrine construction and the strengthening of youth led sanitation businesses so that they produce and supply sanitation products. To materialise our plan of constructing public latrines, an ideal location for the construction of the facility was selected in consultation with the Mayor's office and construction is planned to commence in the first quarter of 2021.

Furthermore, to ensure the sustained use of the sanitation facility, a small sanitation marketing youth group has been formed through the involvement of the health office and micro enterprise agency. We will further capacitate this group in the months ahead as the construction of the facility nears completion.

### f. Pharo Farm



Despite the challenges of COVID19 and early arrival of the rainy season, Pharo Farm made significant progress in 2020. The key to the progress is a combination of factors including consolidated partnership with the local community and collaborative effort of Pharo Foundation and Pharo Ventures staff.

Before COVID19 struck hard and the heavy rains started, we completed equipment-sourcing, earth moving and a large portion of irrigation pipe installation work. Moreover, we managed to cultivate and grow bananas on 10Ha of land. The unusually heavy rainfall

did pose some challenges as we provided care for the bananas. However, as the rainy season subsided, the team has been able to cultivate and weed the banana plants. Scouting the prevalence of insects and diseases has been successfully undertaken for crop protection.

The completion of the farm workers' residential facility which comprises housing, canteen, offices, and other amenities is another major landmark of 2020. Furthermore, the expansion plan to bring under cultivation the additional 60ha is progressing well, starting with bush clearing and first round ploughing. This will bring the developed land for planting in 2021 to 100Ha out of the total land of 584Ha. The plan is to complete the irrigation works fully before the end of March 2021 and partially use some system components.



*Bulldozer at the farm*



*Labour Accommodation*



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### 3.2.2 Somaliland

2020 proved to be another difficult year in Somaliland. Unpredictable rains, locust attacks and the Covid pandemic made the operating environment even more challenging.

Despite these challenges, the Foundation team continued to grow, consolidate and progress with the existing programmes.

#### **a. Improving agriculture production and productivity**

The Pharo Foundation has been implementing drip-irrigation projects in Botor and Ilinta villages in the North Gabiley district since 2018. The projects include the establishment of demonstration plots in each village, training of farmers and supply of the necessary inputs in the form of long-term loans.

The year 2020 marked the graduation of Cohort II drip-irrigation farmers and the enrolment of Cohort III, taking the total number of participants trained in drip irrigation and good agricultural practice to 176. In the last month of the year, most of Cohort II farmers completed digging their own water harvesting ponds and received drip irrigation kits. While newly joining Cohort III farmers completed the training and started preparing their water harvesting structures.

In the last quarter of 2020, we reflected on the contribution of our intervention to the livelihoods of our participants. Accordingly, we conducted a rapid assessment of Cohort I participants applying an adapted version of Herford & Harries' pathways framework for assessing the contribution of small-scale irrigation in improving productivity, household income, water availability and women empowerment.

*Botor Demo site and Greenhouse*



*Second Cohort pond preparation Ilinta*



*Drip irrigated onions in Botor*



In the cropping season, 53 members of Cohort I collectively cultivated 23.5 hectares of land with different varieties of vegetables and oil seeds such as tomato, onion, carrot, cabbage, beetroot, beans, pepper, garlic and sunflower. This generated USD 10,926 of income (approximately USD 206 additional income per farmer, in a country where GDP/ capita is around USD 500). Similar to 2019, onions and tomatoes were the major cash crops covering 21 of the 23.5 hectares and this produce was 17.39 tons and 8.49 tons, respectively.

## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

Further analysis of the assessment data showed that, farmers that had implemented drip irrigation and applied good agricultural practices properly, produced much better yields and generated higher income compared to those farmers with partial or intermittent application of the technology.

Moreover, almost all participants have been using the harvested water for animal and household consumption, which amplifies the contribution of the project in improving access and availability of water. Consequently, having water in their backyard reduced the women's energy expenditure and time they used to spend in fetching water from a distance.



Generally, the drip irrigation project has significantly contributed to the livelihood of farmers that applied the technology properly in both villages. It has improved food security, generated additional income to the household and improved access to water. Moreover, it has vastly improved the farmers' skills and knowledge in good agricultural practices and climate smart technology.

### Introduction to greenhouse technology

Building on our experience in introducing drip-irrigation to the community, we have established a greenhouse demonstration farm, where farmers receive training on the new technology and observe demonstrations. The greenhouse was installed at the Botor demonstration site. So far, the greenhouse is performing well both as a production and demonstration site.



### Animal fattening

Where we operate, it is not uncommon to see women looking after sheep and goats as well as buying and selling them in the market. The practice is so traditional and labour intensive that women spend a lot of their time and energy following their herds in search of pasture and water.



With the objective of improving the situation and increasing women's incomes, the Foundation started working with ten women from the Botor community introducing them to fodder production and training them in good animal husbandry practices. Upon completion of the training the participants were provided with

fodder seeds and loans for buying ten animals of a better breed for fattening. Each woman is expected to fatten her animals and sell them at peak season to pay back the loan and reinvest the surplus in additional animals.



## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

### b. Improving access to quality education

Advancing ECE continues to be the Foundation's flagship government collaborated programme in Somaliland in coordination with the Ministry of Education and Science (MoES). While expanding our reach in Hargeisa by building additional centres, we closely work with the Ministry in building the institutional capacity of the ECE Unit in the Ministry.

Integrating ECE centres into public primary schools, an approach introduced by the Foundation, is now firmly placed in the country's ECE policy framework. Besides helping with the policy work, the Foundation has also supported the Ministry's ECE Unit by supplying the unit with the necessary working equipment and furniture.



In the reporting period, two additional ECE centres were built and have become operational, in Daloodho and Maxamed Alifdoon Primary Schools. The programme is now serving 673 students (320 boys and 353 girls) in twelve ECE centres.

In 2020, we also continued with capacity enhancement trainings. Fifty-two teachers were trained in collaboration with the MoES ECE Unit. Furthermore, eleven parent and community workshops were conducted with a total of 336 participants. Topics discussed at the workshops included child nutrition, children's physical and mental development, children's common illness, the importance of antenatal and postnatal care and first aid.



To ensure nutritional value, cost effectiveness and sustainability, we decided to gradually shift from outsourcing children's snacks to in-house made snacks. In the 2020 academic year, we successfully supplied snacks to 4 schools from our own kitchen and outsourced the remaining ones. This has significantly reduced the costs and we plan to cater ourselves for all centres by the next academic year.

As part of our continuous assessment of our programme and children's development and learning, a baseline assessment was conducted using the International Development Early Learning Assessment (IDELA) framework.

The purpose is to benchmark pre-intervention emergent; learning and development of children enrolled in Pharo ECE centres, against which future gain can then be measured. The survey also includes social and economic background of caregivers and home learning environment of children.

The students scored higher on motor and emotional skills and lower on emergent literacy and numeracy. These issues will be addressed in the next academic year, with additional emphasis on improving home learning environments.



*A child completing a picture puzzle, one of the IDELA activities*

## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

### Pharo Schools

In 2020, despite Covid challenges, improvements continued at Pharo Schools, including revamping Pharo Kindergarten (KG) and Pharo Primary School in Hargeisa and Pharo Secondary School in Sheikh, undertaking overall assessment of all the three schools and onboarding the required qualified staff and upgrading the skills of existing ones.



The entire KG was renovated and an additional classroom was added, increasing the total number of students to 140.

At the Primary School, the interior was painted and the football field resurfaced.

For our Secondary School, some major improvements were carried out: water-proofing the roof, internal decoration of the accommodation areas, kitchen, classrooms, library, labs, toilet facilities, and improvements to the students' dormitory.

We also put considerable emphasis on improving the academic quality of the schools. For the Primary School, we focused on English fluency. We were able to create an after-school tutoring program to support low performing upper primary students in English. In addition, all students were given access to an online interactive learning software called Essential Skills, which provides focused instruction in reading and English language.

When it came to the National Somaliland Examination, the Pharo Secondary School performed marvellously with all of Pharo students getting As. Most significantly, a Pharo student received the highest mark in all of Somaliland.

To get an accurate assessment of the Pharo Schools we utilised the services of an Educational advisor/consultant who carried out an assessment on four areas: school administration and management, teaching and learning, student affairs, and school community partnership. Furthermore, the advisor provided recommendations for improvement in each of the four areas based on contemporary theories and practices of education and school management.

Our schools persevered through the challenge of COVID-19 by creating online lessons for all of our students so that learning could continue while schools were closed.



*While we were excited about many things that happened in our schools in 2020, the most exciting event was the visit of the President of Somaliland, Musa Bihi, to our Secondary School in Sheikh.*



## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

### C. Improving access to clean water

#### Ilma Dado Berkad completion

Although the Foundation assisted in the construction and rehabilitation of <sup>1</sup>*Berkads* in the Somali Region of Ethiopia, the Ilma Dado Berkad is our first in Somaliland. The berkad is well modified with its increased size, provision of double sedimentation components to further reduce turbidity and roofed with 4 windows to enhance de-silting and let in adequate air and daylight.



It has the capacity of storing 432m<sup>3</sup> of water with no turbidity for human consumption. In addition, another 51m<sup>3</sup> water is retained in its sedimentation chamber, which can be used for animal consumption. It serves 20 households for a 6-month period considered at 20 litres/day/person. The Ilma Dado community appreciated the construction of the berkad. The village chairperson (Abdulahe Ahemed), who has been following the construction since the start expressed his excitement as follows, looking at the water stored in the Berkad;

*"I am really impressed with the improved type of berkad, its quality and the way the project has been carried out. It is a very large size of its kind and I can see it serves the whole community in the village. Before this, breast feeding mothers, pregnant women and old people had to travel to a location called Ceelberdaale' (12kms away) spending half a day to quench their thirst."*

#### Community Hygiene and Sanitation promotion

Hygiene and Sanitation promotion plays a key role in changing collective and individual behaviours together with fostering ownership and the sustainable use of water and sanitation facilities. It is upon this premise that we facilitated the establishment of Water Sanitation and Hygiene Committees (WASHCOs) in all our intervention villages. These committees play a crucial role by mobilising volunteers in promoting sanitation and hygiene in their communities. In July 2020, with the aim of enhancing their capacity, a four-day <sup>2</sup>PHAST and <sup>3</sup>CHAST training was provided for members of the WASHCOs including teachers, elderly, women and children.



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<sup>1</sup> The *berkad*(ground tankers) are ground surface catchments for rainwater harvesting and storage suitable in micro watersheds with high coefficient of runoff.

<sup>2</sup> Participatory Hygiene and Sanitation Transformation (PHAST) is a systematic participatory approach consisting of seven sequential steps that culminate in the development of an action plan for addressing the prevailing WASH problems in each community.

<sup>3</sup> Children's Hygiene and Sanitation Training (CHAST) is an interactive approach for training children on hygiene and sanitation aspects. Its major objective is to infuse critical hygiene practices that children may adopt into their daily lives.

## Trustees' Report (including Strategic Report) For the year ended 31 December 2020



Further to strengthening the WASHCO's capacity, the programme supports the construction of roof-water harvesting structures and latrines as well as the organisation of public sensitisation events. In the reporting period, four roof-water harvesting structures were constructed in four schools and nine villagers were supported in building their own latrines.



### COVID-19 response

Complementing the national response to the COVID 19 pandemic, in collaboration with WASHCOs the Foundation conducted several community sensitisation events using different Health Information, Education and Communication (HIEC) materials and approaches. Moreover, six hand washing facilities with the capacity of 300 litres of water were installed in selected locations of the two villages. Sanitising soap and face coverings were also provided for more than a thousand households. Through our ECEs, we installed twenty hand washing stations and supplied sanitising liquids to schools in Hargeisa.



## Trustees' Report (including Strategic Report) For the year ended 31 December 2020

### 3.2.3 Kenya

The East Africa headquarters in Nairobi, Kenya is operational. In 2020, we continued to grow and strengthen the Nairobi team with the addition of the CEO and an investment analyst for Pharo Ventures. The Foundation hired a Director of Education and Head of Human Resources as well as an Office and Admin Manager.

### 3.2.4 Rwanda

In 2020, the Foundation finalised the registration of its legal entities in Rwanda and started the recruitment process for its key hires. In parallel, the conversations with SOS CVI Rwanda continued to lease their schools and take over the management of these schools. Although the agreement was hoped to be finalised in 2020, Covid-19 and its challenges pushed the process well into 2021.

The Foundation will start its operations in the education field and expand into other strategic pillars after the recruitment of the senior management team.

## 4. Pharo Ventures

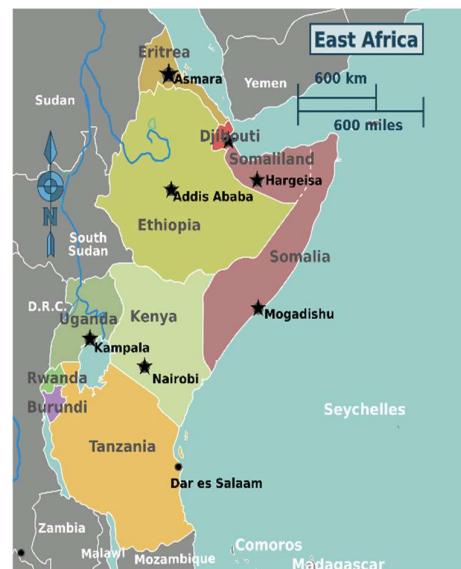
The Pharo Foundation believes that a vibrant private sector is critical to job creation indeed the key to economic development and harnessing social impact in any country. With this in mind, the Foundation, in early 2020, hired the CEO Social Ventures (based in Nairobi, Kenya), as a major step towards the setting up of an impact driven portfolio of businesses across East Africa. In the medium term, the ventures envisages to be operational in Somaliland, Ethiopia, Kenya and Rwanda, with a view to achieving the following three main objectives;

- Maximising job creation<sup>4</sup> for the local communities.
- Maximising value added (The sum of the enterprise's wage bill and its profits).
- Developing profitable<sup>5</sup> and sustainable social ventures that adhere to and respect the community environmental expectations.

Given the overall philanthropic mission, the purpose of these "social ventures" is not to maximise shareholder profit. Rather, at a high level and in addition to the objectives outlined above, priority will be given to those social ventures that;

- Fill the service provision gaps in the market across a number of sectors and industries.
- Are in accord with the philanthropic arm of the Foundation and provide the services that the Foundation will require, while remaining quite competitive in the market.
- Are scalable and can significantly grow both in country and regionally.
- Contribute significantly towards the Foundation's ambition to be the largest employer in Eastern Africa by 2030.

The ventures is set-up and run by the Pharo Ventures team under the umbrella of The Pharo Foundation.



<sup>4</sup> While all jobs are valuable, we will endeavour, whenever possible, to gradually create more skilled and well-paying jobs.

<sup>5</sup> Reaching profitability within a few years, ideally 3-4 years or less.



## **Trustees' Report (including Strategic Report)**

### **For the year ended 31 December 2020**

For the year 2020 and as part of creating a solid base for the development of social ventures, Pharo Ventures accomplished the following;

- a. Development of the 2020-2025 social ventures strategy for Eastern Africa region.
- b. Development of the social venture country strategies for Kenya, Somaliland and Ethiopia.
- c. Registration of the legal entities for social ventures.
- d. Operationalisation of the Pharo Farm Assosa and roll out of Phase 1.
- e. Development of first social venture in Rwanda.
- f. Building of the social ventures team, both at operational headquarters in Nairobi and in the target countries.

## **5. The Pharo Foundation Strategy (2019 - 2025)**

Over the course of 2019, it became clear that the Foundation's fast pace of growth would be better supported by a revised 5-year strategic plan; one that is more holistic and bottom up, as well as one that is built on past successes. This new 5-year plan, which we started in implementing in 2019, continues to be our focus.

The key drivers of The Pharo Foundation strategy are:

- Talent development and controlled growth
- Accountability, teamwork and quantifiable results
- Building a "best in class" culture, reputation and track-record
- Two-pronged approach: support the public sector human and physical capital while building a solid Pharo-owned portfolio of programmes and businesses that focus on financial and operational self-sustainability
- Integrated holistic design that targets multiple outcomes from each programme
- Sharing and leveraging our learning and networks
- Geographical diversification within East and into West Africa

While adhering to the above principles, the Foundation will continue to invest in the four main themes that the trustees have approved as our main areas of focus: agriculture, education, health and water. Our work with the government and communities will primarily target increasing "access" and eventually quality, while our Pharo brand ventures will represent "quality" and long-term commitment. In parallel, our social enterprises strive to fill the gaps in the services and manufacturing sectors with emphasis on quality, sustainability and job creation. We plan to carry out our programmes in cooperation and coordination with the appropriate government, community and external stakeholders to maximise buy-in, leverage, success and longevity.

## **6. Structure, Governance and Management**

### **6.1 Governing document**

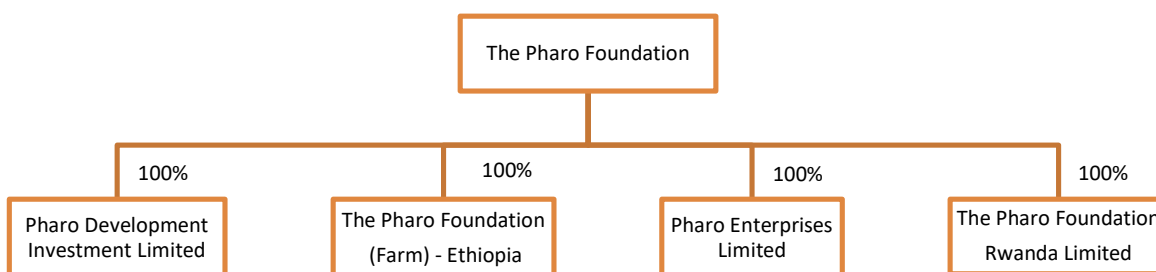
The Pharo Foundation is constituted as a company limited by guarantee (Company No. 07678862) and operates under the terms of its Articles of Association. It is registered with the Charity Commission (No. 1143152).

### **6.2 Organisational structure**

The Pharo Foundation is a modest sized, yet growing, organisation with its Trustees overseeing its work (structure below). The Pharo Foundation has four wholly owned subsidiaries – Pharo Development Investment Limited (PDIL), The Pharo Foundation Farm, Pharo Enterprises Limited (PEL) and The Pharo Foundation Rwanda (PFRW) as at 31 December 2020.



## Trustees' Report (including Strategic Report) For the year ended 31 December 2020



PDIL's principal activity is to receive profit distributions from Pharo Management (UK) LLP and make charitable donations to The Pharo Foundation. Pharo Enterprises Limited represent mission-related investments whose principal activity is to establish Social Ventures in East Africa. The Pharo Foundation Farm is an income-generating part of The Pharo Foundation's Ethiopia programme and is located in the Menge Woreda of BGRS, Ethiopia. The Pharo Foundation Rwanda is a non-profit making entity incorporated in Rwanda. The Foundation's principal activity is to carry out charitable related programmes within the country.

In 2019, the Foundation took the strategic decision to establish various social enterprise businesses to carry out more of its activities. The enterprises have three objectives: maximising economic value added, maximising the number of jobs created and reaching profitability within a few years.

The team at The Pharo Foundation (UK) comprises of a Chief Executive Officer (CEO), one Programme Officer, an Office and HR Manager and a Finance Manager. Trustees are appointed by the Member and serve for three years after which they may put themselves forward for re-appointment. The current Trustees were appointed based on the skills and experience that they offer The Pharo Foundation and their interest in the charitable objectives of The Pharo Foundation. All Trustees are given an induction pack that explains the legal obligations of the Trustees and includes The Pharo Foundation's governing document and other key policy documents.

The Trustees who held office during the period ending 31 December 2020 and up to the date of approval of these financial statements were:

Mr Matthieu Baumgartner  
Mr Guillaume Fonkenell  
Ms Farah Jirdeh-Fonkenell  
Ms Gulden Kazandag (Resigned 21 December 2020)  
Mr Mustafa Jama (Joined 21 December 2020)  
Mr Nicolas Sagna

No Trustee received any remuneration for services as a Trustee, nor had any beneficial interest in any contract with The Pharo Foundation, during the year. Expenses reimbursed to Trustees are disclosed in note 8 of the financial statements.

The day-to-day management of the charity's activities and the implementation of its policies are delegated to the CEO of the Foundation. Management reporting lines are clearly defined, and the Trustees receive regular reports on both the programme and grant activities to enable them to fulfil their responsibilities.

The key management personnel of the charity, responsible for directing and controlling, running and operating the charity on a day to day basis, comprises of the CEO and guidance from the Trustees as well the CEO of Pharo Ventures who reports to the CEO of the Foundation.

## **Trustees' Report (including Strategic Report)**

### **For the year ended 31 December 2020**

#### **6.3 Statement of Trustees responsibilities**

The Trustees (who are also directors of The Pharo Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the income and expenditure of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- ✓ select suitable accounting policies and then apply them consistently;
- ✓ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing the accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102);
- ✓ make judgments and estimates that are reasonable and prudent;
- ✓ state whether applicable that the United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ✓ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

Each of the Trustees confirm that:

- ✓ so far as the Trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ✓ the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

#### **6.4 Risk management**

The Trustees continuously assess the major risks to which the charity is exposed. As part of this process, we reviewed and updated our risk management matrix in May 2020.

Our updated risk management matrix contains 19 potential risks under eight major headings, including governance and management, law and regulation compliance, investment, operational, financial, external and reputational. For each potential risk, we have identified potential consequences and the controls we have put in place to manage the risk. We have also rated (low, medium and high) the likelihood of each potential risk happening and the impact it will have on the Foundation if the risk materialised.

The following are among the major risks that the Trustees have identified and established effective controls to mitigate them:

- ✓ The Foundation stability in its vision, mission, values and strategic forward planning with potential consequences of loss of reputation and no clear objectives or priorities going forward. The

## **Trustees' Report (including Strategic Report)**

### **For the year ended 31 December 2020**

Foundation's vision, mission and values have always been clear and the Trustees have developed a well-articulated five-year strategy (2020-2025) and updated the vision, mission and values.

- ✓ Failure to meet legal/regulatory requirements with potential consequences of fines/penalties, legal challenge, loss of reputation and loss of license. Trustees track legal/regulatory requirements in relevant countries through annual legal reviews and seek legal advice before registration in new countries.
- ✓ Insecurity and instability with potential consequences of programme disruption and loss of assets, and harm to staff members. Trustees encourage and monitor strong and positive relationships with local governments and communities and they monitor country risk assessments and security plans that management puts in place. They have also put in place travel and accident protection insurance policy.
- ✓ Fraud, mismanagement or error with potential consequences of loss of money, loss of reputation, inefficiency and regulatory action. Trustees have put in place clear accounting policies and procedures and monthly reporting arrangements. There are also annual external audits.
- ✓ The Foundation being at the risk of not meeting stakeholders' expectations with potential consequences of reputational damage, legal/regulatory challenges and inability to attract high calibre staff. Trustees have formulated a risk management system and appointed a dedicated Trustee who oversees risk management; and, a strong internal control environment and external audit are in place.

#### **6.5 Fundraising**

The Foundation does not actively seek donations from the public therefore it has not registered with the Fundraising Regulator. It does not use the services of any third party organisation to help in its fundraising activities and no complaints were received about its fundraising activities during the financial year.

#### **6.6 Public benefit**

All the Trustees are conversant with the Charity Commission's guidelines concerning charities and public benefit and have given consideration to them when assessing the charity's activities. The Trustees believe that they have complied fully with the duty in Section 4 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Commission.

## **7. Future Plans and Objectives**

We believe our well-defined strategy, vision, mission and values and our passionate and motivated team position us very well for further growth and expansion in 2021 and beyond. We plan 2021 to be year of expansion in Rwanda and in Kenya. Our aim is to continue to grow our offices and headcount across all countries while continuously upgrading our talent pool, to fully establish Nairobi as our East African headquarters, to start launching social enterprise business in Somaliland and Ethiopia.

The following are our key objectives for 2021:

#### **In Ethiopia**

- Continue to build a solid team and operational structure
- Agree and start implementation of a new 5-year plan with the BGRS government, covering all four areas of focus.
- In line with the SEEP programme, establish the Pharo Diagnostic Centre
- Establish a commercial farm, as well as a business plan for subsequent social enterprises

#### **In Somaliland**

- Continue to build a solid team and operational structure
- Ensure smooth operation, fiscal discipline and academic excellence at Pharo Schools
- Continue expansion of the ECE programme to 2 additional public schools

## **Trustees' Report (including Strategic Report)**

### **For the year ended 31 December 2020**

- Improve and expand the Agriculture programme
- Establish the first Pharo Ventures business in the construction sector

#### **In Kenya**

- Continue to build a strong management team to oversee the East African operations
- Analyse the feasibility of acquiring schools in Nairobi
- Analyse and approve the first Pharo Ventures business in Kenya

#### **In Rwanda**

- Become physically operational and recruit a strong founding team
- Acquire a portfolio of primary/secondary schools to be anchor entry point into the country

However, the serious extraneous hurdles we have faced and overcome over the last few years make us cognisant of the fact that, despite our best efforts, much of our progress and success will depend on the economic, political, infrastructural, and other unforeseen problems of 2021, as observed in 2020:

- Economic and political instability in Ethiopia
- Erratic weather patterns in Somaliland
- Continuous lockdowns, travel restrictions, slow turn-around and uncertainty on the part of government agencies due to Covid-19 in all countries.

## **8. Financial Review**

### **8.1 Financial position**

The Pharo Foundation received a donation of US\$8,630,375 during the period from Pharo Development Investment Limited (PDIL) which was unrestricted. PDIL acts as a vehicle to distribute profits received from Pharo Management (UK) LLP.

During the year, the total income of the group for the period was US\$9,356,977 from donations and legacies, charitable activities and from investment. Income from donations and Legacies increased by US\$3,140 to US\$61,470, resulting to a 5% increase from the previous year. Income from charitable activities increased by US\$195,460 to US\$591,910, resulting in a 49% increase mainly due to Pharo Schools being operated for a full financial year as compared to the previous year. Income from investment slightly decreased by 2%, mainly due to the drop in bank interest rates.

During the year, the total expenditure of the group was US\$7,050,408. Expenditure overall increased by 14%, which was a result of the Foundation operations expansion. The Foundation incurred a total cost of US\$151,575 as part of social ventures trading (2019, \$nil). Foundation grants awarded increased by 51%, equivalent to US\$361,090 as compared to the previous year. Ethiopia programme cost significantly dropped by US\$992,071, which is 26% compared to last year, due to the covid-19 pandemic slowing the operations within the country. Somaliland programme increased significantly by \$ 1,349,717, representing 81% compared to the previous year. The increase is mainly due to Pharo Schools being operated for a full financial year compared with last year.

At 31 December 2020, the group had total unrestricted funds of US\$15,190,061. Of this amount US\$1,120,165 has been committed to partners as future funding, subject only to satisfactory reviews of project progress. This amount is not available for future programme grants or general expenses. US\$3,345,076 is the net book value of the group and charity's tangible fixed assets and US\$1,444,122 is being invested in impact investments and the remaining unrestricted funds of US\$9,280,698 are the group's reserves.

The Pharo Foundation does not undertake fundraising activities.

### **8.2 Investment policy**

The Pharo Foundation had an investment portfolio valued at US\$1,444,121 at 31 December 2019 (2019 – US\$3,247,341). This includes an additional investment of \$ 150,000 as part of its mixed motive investment charitable objective. The Pharo Foundation's investment objective is two-fold. The objective is to generate annual investment returns in excess of cash deposit accounts rate and/or to further its

## **Trustees' Report (including Strategic Report)**

### **For the year ended 31 December 2020**

charitable objectives. The more critical objective is to support African start-ups in becoming successful organisations that create jobs and economic value. The Foundation aims to learn from these investments with respect to African operating environments and opportunities and potential technology transfer where applicable.

The Trustees have a significant amount of investment experience and expertise. The Trustees undertake due diligence and carefully evaluate an investment proposition in both financial and mission related terms before an investment decision is made. Performance of investments is monitored periodically by the Trustees on an on-going basis. Over the past 12 months, the value of portfolio decreased by 55% resulting in a net loss of \$ 1.9 million. The net loss was mainly due to the impairment of investment at year-end because of the impact of the Covid-19 pandemic on the global markets. Although the trustees are disappointed with the financial performance of these investments during the period under review, the trustees are content that these investments have continued to further the Foundation's charitable objectives.

#### **8.3 Reserves policy**

The Pharo Foundation has committed to several charitable grant projects and programmes with various on-going financial commitments. Accordingly, the Trustees monitor the level of reserves throughout the year to enable it to meet these financial commitments and other operational liabilities. Funds committed to partners and our own programmes are shown as designated funds in the balance sheet and are payable only after reviews of project and programme progress. The Pharo Foundation's reserves are those funds not already committed and therefore available for future programme spending. It is not the intention of the Trustees to accumulate reserves; the Trustees plan to expend the charity's resources over a reasonable period.

Approved by the Trustees and signed on their behalf by:



Mr Guillaume Fonkenell,  
Trustee

Approved by the Trustees on 27 September 2021

# **Independent auditor's report For the year ended 31 December 2020**

## **Independent auditor's report to the member of The Pharo Foundation**

### **Opinion**

We have audited the financial statements of The Pharo Foundation (the 'foundation') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of financial activities, the group and foundation balance sheets and consolidated statement of cash flows, the principal accounting policies and the notes to the financial statements. 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 foundations' affairs as at 31 December 2020 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 ability to continue as a going concern for a period of at least twelve months from 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. The other information comprises the information included in the annual report and financial statements, 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.

## **Independent auditor's report For the year ended 31 December 2020**

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

- ◆ the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the foundation and its environment obtained in the course of the audit, we have not identified material misstatements in 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 by the group and foundation, or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the foundation 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.

## **Independent auditor's report For the year ended 31 December 2020**

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the charitable parent 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 group or the charitable parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team, and the component auditors of the group, collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the group and charity through discussions the component auditors within the group, with management and representatives of those charged with governance and from our knowledge and experience of the sector in which the group operates;
- We focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the activities of the charity. These included but were not limited to the Companies Act 2006, the Charities Act 2011, the Charities SORP, anti-bribery, employment, safeguarding principles. We considered the impact of the international nature of the charity's operations on its compliance with laws and regulations;
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and those responsible for legal and compliance procedures and a review of minutes of Trustees' meetings.



## **Independent auditor's report For the year ended 31 December 2020**

We assessed the susceptibility of the group and charity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management and representatives of those charged with governance as to where they considered there was susceptibility to fraud,
- Making enquiries of management and representatives of those charged with governance as to their knowledge of actual, suspected and alleged fraud; and
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected relationships;
- Identifying and testing journal entries, in particular any journal entries posted with unusual characteristics;
- Tested the authorisation of expenditure;
- Assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- Investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation;
- Reading the minutes of meetings of Trustees; and
- Enquiring of management and representatives of those charged with governance as to actual and potential litigation and claims.
- Enquiring of auditors of overseas components as to actual and potential non-compliance with significant laws and regulations.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available 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.

**Independent auditor's report  
For the year ended 31 December 2020**

**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.

A handwritten signature in black ink, appearing to read 'Edward Finch', with a stylized flourish at the end.

Edward Finch, (Senior Statutory Auditor)  
For and on behalf of Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL  
Date: 29 September 2021

**Consolidated statement of financial activities**  
**For the year ended 31 December 2020**

	Notes	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
<b>Income from:</b>			
Donations and legacies	1	61,470	58,329
Charitable activities	2	591,910	396,450
Investment	3	8,703,597	8,874,223
<b>Total income</b>		<b>9,356,977</b>	<b>9,329,002</b>
<b>Expenditure on:</b>			
Social ventures trading	4	154,010	-
Charitable activities	5	6,896,398	6,177,661
<b>Total expenditure</b>		<b>7,050,408</b>	<b>6,177,661</b>
<b>Net income before investment gains</b>		<b>2,306,569</b>	<b>3,151,341</b>
Net (losses) on investment assets	6	(1,953,219)	(1,442,576)
<b>Net income</b>		<b>353,350</b>	<b>1,708,765</b>
<b>Other recognised gains/losses</b>			
(Losses) on foreign exchange		(649,406)	(338,442)
<b>Net movement in funds</b>	7	<b>(296,056)</b>	<b>1,370,323</b>
<b>Total funds brought forward</b>		<b>15,486,118</b>	<b>14,115,795</b>
<b>Total funds carried forward</b>		<b>15,190,061</b>	<b>15,486,118</b>

All the above results are derived from continuing operations. The Pharo Foundation has no recognised gains or losses other than those shown above.

**Statement of Financial Position**  
**31 December 2020**

	Notes	Group 2020 US\$	Group 2019 US\$	Foundation 2020 US\$	Foundation 2019 US\$
<b>Fixed assets</b>					
Tangible assets	9	3,345,076	2,520,311	2,836,627	2,520,311
Investments	10	1,444,122	3,247,341	1,976,875	3,245,799
		<u>4,789,198</u>	<u>5,767,652</u>	<u>4,813,502</u>	<u>5,766,110</u>
<b>Current assets</b>					
Debtors due within one year	11	710,024	422,512	749,862	424,748
Cash at bank and in hand		<u>10,309,165</u>	<u>9,747,442</u>	<u>10,272,217</u>	<u>9,742,308</u>
		11,019,189	10,169,953	11,022,079	10,167,056
<b>Creditors: amounts falling due within one year</b>	12	<u>(618,326)</u>	<u>(451,488)</u>	<u>(552,639)</u>	<u>(449,198)</u>
<b>Net current assets</b>		<u>10,400,863</u>	<u>9,718,465</u>	<u>10,469,440</u>	<u>9,717,858</u>
<b>Total net assets</b>		<u>15,190,061</u>	<u>15,486,118</u>	<u>15,282,942</u>	<u>15,483,968</u>
<b>Net assets attributable to Group</b>		<u>15,190,061</u>	<u>15,486,118</u>	<u>15,282,942</u>	<u>15,483,968</u>
<b>Funds of the charity:</b>					
Unrestricted Funds					
. General funds		9,280,698	10,326,536	9,349,276	10,325,931
. Designated funds	13	<u>5,909,363</u>	<u>5,159,582</u>	<u>5,933,667</u>	<u>5,158,037</u>
		<u>15,190,061</u>	<u>15,486,118</u>	<u>15,282,943</u>	<u>15,483,968</u>

Approved by the Trustees of The Pharo Foundation, Company Registration No. 07678862 (United Kingdom) and Charity Registration No.1143152 (England and Wales) and signed on their behalf by:

Mr Guillaume Fonkenell,  
Trustee  
Approved on     September 2021

**Statement of Cash Flows**  
**31 December 2020**

	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
<b>Cash flows from operating activities:</b>		
Net cash (used in) operating activities	(6,306,149)	(5,947,909)
<b>Cash flows from investing activities:</b>		
Income from investments	8,703,597	8,874,223
Purchase of tangible fixed assets	(1,464,582)	(1,230,175)
<b>Net cash provided by investing activities</b>	<b>7,239,015</b>	<b>7,644,047</b>
<b>Change in cash and cash equivalents in the reporting period</b>	<b>932,866</b>	<b>1,696,138</b>
<b>Cash and cash equivalents at 01 January 2020</b>	<b>9,747,442</b>	<b>7,831,056</b>
Change in cash and cash equivalents due to exchange rate movements	(371,143)	220,248
<b>Cash and cash equivalents at 31 December 2020</b>	<b>10,309,165</b>	<b>9,747,442</b>
	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
<b>Net income for the reporting period (as per the statement of financial activities)</b>	<b>353,350</b>	<b>1,708,765</b>
<b>Adjustments for:</b>		
Losses on investments	1,953,219	1,442,576
Depreciation charges	211,553	79,469
Income from investments	(8,703,597)	(8,874,223)
(Increase) in debtors	(287,512)	(106,049)
Increase / (decrease) in creditors	166,838	(198,447)
<b>Net cash used in operating activities</b>	<b>(6,306,149)</b>	<b>(5,947,908)</b>

## Principal accounting policies

### 31 December 2020

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

#### **Basis of accounting**

The Consolidated Financial Statements incorporate the results of the charity and its subsidiaries, as listed at note 10, for the year ended 31 December 2020. The acquisition method of accounting has been adopted.

Under section 408 of the Companies Act 2006 and the SORP, The Pharo Foundation is exempt from the requirement to present its own Statement of Financial Activities.

#### **Basis of consolidation**

The Consolidated Financial Statements incorporate the results of the charity and its subsidiaries, as listed at note 10, for the year ended 31 December 2020. The acquisition method of accounting has been adopted.

Under section 408 of the Companies Act 2006 and the SORP, The Pharo Foundation is exempt from the requirement to present its own Statement of Financial Activities.

#### **Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The items in the financial statements where significant judgements and estimates have been made include:

##### *Estimating the useful economic lives of fixed assets*

The assets of the Foundation are primarily held overseas. The useful economic life of certain assets, applied for the purposes of calculating depreciation, have therefore been assessed as being shorter than that which would ordinarily be applied to the same asset class located in the UK. This is due to the difference in the standards applicable across different jurisdictions.

##### *Determining the value of assets granted from overseas Governments*

The Foundation has been granted the use of a number of significant assets overseas. Specifically a 26 and a 484 hectare plot of land from the Environment Forest and Land Administration Office, of Benishangul Gumuz Regional State in Ethiopia and three School sites from the Ministry of Education and Science in Somaliland.

Although the risks and rewards of ownership of these sites is held by the Foundation, no value was attributed to these sites in the year of occupation as the Foundation is unable to reliably estimate their value under the specific terms granted and there is no question of disposal for commercial gain. Improvements to these sites are capitalised where they meet the accounting policy criteria for tangible fixed assets.

##### *The valuation of unlisted investments*

The group holds unlisted investments in three companies. These are included in the financial statements at fair value, using a quoted market price or evidence of recent transactions. If fair value cannot be measured reliably investments are measured at cost less impairment. The trustees have made the following assessment in relation to each holding.

- PDIL: In the absence of readily determined and reliable fair values at the year end, this investment has been held at cost less impairment. The trustees have determined the value of these investments to not be impaired.
- New Forest Company: In the absence of readily determined and reliable fair values at the year end, this investment has been held at cost less impairment. The trustees assessment of the impairment on this investment has been informed by the price offered for a rights issue to existing

## Principal accounting policies

### 31 December 2020

shareholders during the year as part of a debt restructuring exercise. This value was significantly below the previous value obtained on trades between existing shareholders. In the absence of further shareholder activity post year end, the investment has been impaired to the price obtained on the rights issue.

- Lynk: In the absence of readily determined and reliable fair values at the year end, this investment has been held at cost less impairment. The trustees assessment of the impairment on this investment has been informed by financial performance information provided to shareholders

#### *Determination of overseas operations as a branch or subsidiary*

The Group operates in and has a locally registered presence in overseas countries, as detailed in the trustees report. The legal structures available for these operations vary between countries. For the purposes of these financial statements the trustees have made an assessment of whether the locally registered presence should be classified as a branch or a subsidiary by aligning the local registration type with the most comparable format of registration under UK laws.

Other judgements applied by management include:

- Determination of the appropriate exchange rates to use in the translation of foreign currencies; and
- estimates in respect of accrued expenditure

#### **Going concern**

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustees have made this assessment in respect of a period of one year from the date of approval of these financial statements.

The Trustees have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. This is because the charity is in a net asset position and received sufficient additional investment income after the year end to meet the cost of its budgeted programme and grant-making activities.

Since 31 December 2020, the Foundation has assessed the potential impact of ongoing consequences of the Covid-19 pandemic on the Foundation and concluded that while the ability of the Foundation to undertake its activities as planned will be affected, as detailed on page 25 of the trustees report, there will be no material impact on the going concern status of the Group because the Foundation has sufficient assets and received its allocated profit share during April-21 from Pharo Management (UK) LLP which is sufficient to ensure the Foundation can meet its commitments and liabilities.

#### **Income**

Income is recognised in the period in which the charity has an entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Donations, including amounts received under Gift Aid, are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable.

Income from charitable activities are recognised in the period in which the service is provided. Where income is received in advance of meeting any performance-related conditions, and there is no unconditional entitlement to the income, it is recognised as deferred and included in creditors as deferred income until the performance conditions are met.

Income from investment is received from PDIL. It is measured at the fair value of the consideration received or receivable, excluding any discounts or rebates.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

## Principal accounting policies

### 31 December 2020

#### Investments

Investments other than subsidiaries are included in the financial statements at fair value, using a quoted market price or evidence of recent transactions. If fair value cannot be measured reliably investments are measured at cost less impairment. Gains and losses are recognised in the statement of financial activities.

Investments in subsidiaries are held at cost, less any impairment charges.

#### Expenditure

Liabilities are recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. All expenditure is inclusive of irrecoverable VAT. All expenditure is accounted for on an accrual basis.

Expenditure comprises the following:

- Social venture's trading expenditure includes direct and indirect costs such as salaries, overheads, and governance costs incurred by the Social Ventures companies within the Group.
- Charitable activities include the salaries, overheads, governance costs, and grants payable associated with the furtherance of The Pharo Foundation's objectives.
- Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all related conditions.

#### Tangible fixed assets

All tangible fixed assets costing more than £500 and with an expected useful life exceeding one year are capitalised. Assets are depreciated when they are brought into use. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

IT equipment	3 years estimated useful life
Furniture and fittings	3 years estimated useful life
Motor Vehicles	2 to 5 years estimated useful life
Building	20 years estimated useful life
Leasehold Improvement	5 years estimated useful life
Construction in progress	No depreciation

Construction in progress comprises the costs of the completed proportion of the school buildings.

#### Foreign currencies

Assets and liabilities in other currencies are translated into US\$ at the rates of exchange ruling at the balance sheet date. Transactions in other currencies are translated into US\$ at the rate of exchange ruling at the date of the transaction. The income statements of subsidiaries in other currencies are translated at average rates of exchange. Exchange differences are taken into account in arriving at the net movement in funds.

Although the functional and presentational currency, as stated above, is US\$, the Pharo Foundation is a UK based charity and certain provisions of legal and regulatory requirements and the charity's operating policies are stated in British Pounds (£). Within these financial statements, amounts relating to these specific requirements have also been stated in British Pounds (£).

The source of the foreign currency conversion is provided by XE.com.

#### Operating leases

The costs of operating leases are charged to the statement of financial activities on a straight-line basis over the life of the lease.

#### Debtors

Debtors are recognised at the settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.



## **Principal accounting policies**

### **31 December 2020**

#### **Cash at bank and in hand**

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

#### **Creditors and provisions**

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

#### **Fund accounting**

All of the charity's and the group's funds received to date have been unrestricted.

The general fund comprises those monies that may be used towards meeting the charitable objective of the charity at the Trustees' discretion.

The designated fund comprises monies set aside out of unrestricted general funds for specific future purposes or projects. The details of the specific designations made are detailed at note 13.

## Notes to the financial statements

### 31 December 2020

#### 1 Donations and legacies

	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
Donations	61,470	58,329
	<u>61,470</u>	<u>58,329</u>

#### 2 Income from charitable activities

	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
Pharo Schools	573,088	396,450
Other income	18,822	-
	<u>591,910</u>	<u>396,450</u>

#### 3 Income from investments

	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
Profit share from Pharo Management UK LLP	8,630,375	8,667,818
Bank interest	73,222	206,405
	<u>8,703,597</u>	<u>8,874,223</u>

#### 4 Expenditure on Social Ventures Trading

	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
Expenses incurred by Social Ventures Group of companies	26,751	-
Operational costs from the Social Ventures Group of companies	124,824	-
Governance costs	2,435	-
	<u>154,010</u>	<u>-</u>

## Notes to the financial statements

### 31 December 2020

#### 5 Expenditure on charitable activities

	Group		Group	
	1 Jan 2020 to 31 Dec 2020		1 Jan 2019 to 31 Dec 2019	
	US\$		US\$	
Grants	998,967		646,146	
Integrated Livelihood Programme	5,465,253		5,018,495	
Support costs of grantmaking and programme activities	432,178		513,020	
	6,896,398		6,177,661	

	Activities undertaken directly	Grant funding of activities	Support costs	Amount
	2020	2020	2020	2020
Analysis of activities	US\$	US\$	US\$	US\$
Education	-	273,967	18,317	292,284
Health	-	725,000	48,471	773,471
Ethiopia Programme	2,637,954	-	176,365	2,814,319
Somaliland Programme	2,827,299	-	189,025	3,016,324
	5,465,253	998,967	432,178	6,896,398

Support costs have been allocated to each of the above activities on the basis of resources used during the year.

	1 Jan 2020 to 31 Dec 2020	1 Jan 2019 to 31 Dec 2019
	US\$	US\$
Analysis of support costs		
Communications & IT	14,609	16,897
Finance costs	366	864
General management	23,168	80,413
Office and premises	83,578	92,538
Staff costs	246,720	233,129
Governance costs	63,737	89,179
	432,178	513,020

#### 6 (Losses) / gains on investment assets

	Group	Group
	1 Jan 2020 to 31 Dec 2020	1 Jan 2019 to 31 Dec 2019
	US\$	US\$
Investment losses	(1,953,220)	(1,442,576)
	(1,953,220)	(1,442,576)

The Foundation incurred a loss on investment as a result of liquidity risk experienced in the invested entities. Further details on the basis of valuation for these investments are included at note 10. The motivation for holding these investments is in part a contribution to the charity's aims. The trustees assessment of these

## Notes to the financial statements

### 31 December 2020

holdings against their overall investment objectives is detailed within the trustees report.

#### 7 Net movement in funds

This is stated after charging:

	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
Staff costs (note 8)	2,954,636	1,394,690
Parent company auditor's remuneration		
- statutory audit services	22,444	22,037
- other services	3,690	3,222
Other companies auditor's remuneration		
- statutory audit services	8,926	4,435
- other services	5,484	-
Depreciation	211,553	79,469
Operating lease rentals	73,985	73,019

#### 8 Staff costs, key management personnel and trustee's remuneration

	Group 1 Jan 2020 to 31 Dec 2020 US\$	Group 1 Jan 2019 to 31 Dec 2019 US\$
Employees		
- wages and salaries	2,826,171	1,312,195
- social security costs	14,773	17,704
- employer pension contributions	113,692	64,791
	2,954,637	1,394,690

The average number of employees during the period totalled 265 persons (2019: 166 persons). This is analysed as follows:

	Group 1 Jan 2020 to 31 Dec 2020 No.	Group 1 Jan 2019 to 31 Dec 2019 No.
Number of support staff	3	3
Number of programme staff	258	163
Number of social ventures staff	4	-
	265	166

	Group 1 Jan 2020 to 31 Dec 2020 No.	Group 1 Jan 2019 to 31 Dec 2019 No.
Employees with emoluments between £80,001 to £90,000 per annum	1	1
Employees with emoluments between £110,001 to £120,000 per annum	1	1
Employees with emoluments between £190,001 to £200,000 per annum	2	-
Employees with emoluments between £210,001 to £220,000 per annum	1	-
	5	2

## Notes to the financial statements

### 31 December 2020

The key management personnel of the Group comprises of the CEO and Trustees of the Pharo Foundation and the CEO of Pharo Ventures. The CEO of Pharo Ventures reports to the CEO of the Foundation.

The total remuneration of the key management personnel was US\$ 321,314 (2019: US\$nil). The CEO of the charity is on an unpaid basis and was reimbursed US\$ nil (2019: US\$9,285) relating to travel expenses incurred in her capacity as CEO.

No Trustees' received any remuneration or reimbursement of expenses in their capacity as trustees. US\$23,318 for travel expenses were met directly by the Foundation for three Trustees in connection with their duties as Trustees during the year (2019: US\$33,287 for four Trustees).

## 9 Tangible assets

Group	Furniture and fittings US\$	IT equipment US\$	Motor Vehicles US\$	Building US\$	Leasehold Improvements US\$	Work in progress US\$	Total US\$
<b>Cost</b>							
At 1 January 2020	87,457	30,247	349,128	-	-	2,186,325	2,653,157
Additions	53,101	66,650	194,630	409,202	102,238	638,761	1,464,582
Transfers	-	-	-	1,780,336	-	(1,780,336)	-
FX on exchange rate	(15,993)	(4,672)	(38,425)	-	-	(405,989)	(465,079)
At 31 December 2020	124,565	92,225	505,333	2,189,538	102,238	638,761	3,652,660
<b>Depreciation</b>							
At 1 January 2020	18,280	10,130	104,436	-	-	-	132,846
Charge for the period	25,704	13,631	92,175	70,032	10,010	-	211,552
FX on exchange rate	(6,030)	(2,528)	(19,311)	(7,826)	(1,119)	-	(36,814)
At 31 December 2020	37,954	21,233	177,300	62,206	8,891	-	307,584
<b>Net book value</b>							
At 31 December 2020	86,611	70,992	328,033	2,127,332	93,347	638,761	3,345,076
At 31 December 2019	69,178	20,117	244,692	-	2,186,325	2,186,325	2,520,311
<b>Foundation</b>							
	Furniture and fittings US\$	IT equipment US\$	Motor Vehicles US\$	Building US\$	Leasehold Improvements US\$	Work in progress US\$	Total US\$
<b>Cost</b>							
At 1 January 2020	87,458	30,247	349,129	-	-	2,186,325	2,653,159
Additions	46,841	58,048	106,216	276,815	-	444,719	932,639
Transfers	-	-	-	1,780,336	-	(1,780,336)	-
FX on exchange rate	(15,993)	(4,672)	(38,425)	-	-	(405,989)	(465,079)
At 31 December 2020	118,306	83,623	416,920	2,057,151	-	444,719	3,120,719
<b>Depreciation</b>							
At 1 January 2020	18,280	10,131	104,436	-	-	-	132,847
Charge for the period	23,942	11,463	82,273	67,548	-	-	185,226
FX on exchange rate	(5,833)	(2,395)	(18,205)	(7,548)	-	-	(33,981)
At 31 December 2020	36,389	19,199	168,504	60,000	-	-	284,092
<b>Net book value</b>							
At 31 December 2020	81,917	64,424	248,416	1,997,151	-	444,719	2,836,627
At 31 December 2019	69,178	20,116	244,693	-	-	2,186,324	2,520,311

## Notes to the financial statements

### 31 December 2020

The transfers relates to Pharo School Homosha construction which was fully completed on the 31st May 2020.

#### *Assets not valued*

In Ethiopia, the Foundation has been granted use of a 26 and a 484 hectare plot of land from the Environment Forest and Land Administration Office, of Benishangul Gumuz Regional State for the construction of the Pharo School Homosha and establishment of Pharo Farm respectively.

In Somaliland, the Foundation has been granted three School sites from the Ministry of Education and Science to be responsible for operating, running, and developing the Schools.

Although the risks and rewards of ownership of these sites is held by the Foundation, no value has been attributed to them in the financial statements. The Foundation is unable to reliably estimate their value under the specific terms granted.

## 10 Investments

	Group 2020 US\$	Group 2019 US\$	Foundation 2020 US\$	Foundation 2019 US\$
Unlisted investments	1,444,122	3,247,341	1,442,576	3,245,796
Investment in subsidiary company	-	-	534,299	3
	<u>1,444,122</u>	<u>3,247,341</u>	<u>1,976,875</u>	<u>3,245,799</u>

#### Analysis of movement in investments

	Group 2020 US\$	Group 2019 US\$	Foundation 2020 US\$	Foundation 2019 US\$
Market value at 01 January 2020	3,247,341	4,689,917	3,245,799	4,688,374
Additions	150,000	-	684,295	1
Net (loss) on investment asset	(1,953,219)	(1,442,576)	(1,953,219)	(1,442,576)
Market value at 31 December 2020	<u>1,444,122</u>	<u>3,247,341</u>	<u>1,976,875</u>	<u>3,245,799</u>

#### *Unlisted Investments*

Investment by the Group represents its investment in Pharo Management (UK) LLP, Lynk and New Forests Company Holdings Limited. In the absence of readily determined and reliable fair values, these unlisted investments are stated at a valuation determined by reference to the purchase or sale of shares between existing shareholders.

The Foundation had invested in Lynk during the year as part of its mixed motive investment charitable objective. However, the business was affected significantly by the covid-19 pandemic, and this adversely affected the operations of Lynk and Trustees' deemed it appropriate to impair the value of their \$150,000 investment to \$1.

## Notes to the financial statements

### 31 December 2020

During the year, New Forests Company Holdings Limited undertook a debt restructuring exercise. As part of this the company gave a rights issue to existing shareholders at a price that was significantly lower than trades which had been undertaken in recent periods. In the absence of more recent transactions either during the year or prior to the signing of these financial statements, then Trustees' deemed it appropriate to impair the value of their investment from \$3,245,797 to \$1,442,576 to reflect the price of redemption under the rights issue.

#### *Subsidiary undertakings*

At the year end, The Pharo Foundation controls the following subsidiary entities, all of which are consolidated in these financial statements:

Name	Parent undertaking	Registration status	Registration number	Nature of business
Pharo Development Investment Limited ('PDIL')	The Pharo Foundation	Company limited by shares (England & Wales)	Company number 7775576	PDIL's principal activity is to receive profit distributions from Pharo Management (UK) LLP and make charitable donations to The Pharo Foundation.
Pharo Enterprises Limited ('PEL')	The Pharo Foundation	Company limited by shares (England & Wales)	Company number 12211206	PEL is a holding company whose principal activity is to establish Social Enterprises in East Africa.
The Pharo Foundation Farm ('FARM')	The Pharo Foundation	Company limited by shares (Ethiopia)	Registered number MT/AA10/0050443/2011	The Farm is an income-generating part of The Pharo Foundation's Ethiopia programme.
Pharo Ventures Kenya Limited ('PVKL')	Pharo Enterprises Limited	Company limited by shares (Kenya)	Company number PVT-EYU97BY	The principal activity of the company is to build and grow, commercially and environmentally sustainable businesses, with a focus on maximising creation of economic value and jobs, for the local communities.
The Pharo Foundation Rwanda Ltd ('PFRW')	The Pharo Foundation	Company limited by guarantee (Rwanda)	Registered number 112266894	PFRW is a non-profit making entity whose principal activity is to carry out related charitable programs within the country. This entity remained dormant during the year.
Pharo Venture Rwanda Ltd ('PVRWL')	Pharo Ventures Kenya Limited	Company limited by shares (Rwanda)	Registered number 112174801	The principal activity of the company is to build and grow, commercially and environmentally sustainable businesses, with a focus on maximising creation of economic value and jobs, for the local communities. This entity remained dormant during the year.

## Notes to the financial statements

### 31 December 2020

A summary of the results of the above subsidiaries for the year ended 31 December 2020 is as follows:

	2020 PDIL \$	2020 PEL \$	2020 FARM \$	2020 PVKL \$	2020 PFRW \$	2020 PVRWL \$
Income	8,630,375	-	26	1,151,262	-	-
Administrative expenditure	(2,437)	(2,435)	(151,575)	(1,100,648)	-	-
Operating surplus (deficit)	8,627,939	(2,435)	(151,549)	50,614	-	-
Distributions under gift aid	(8,630,375)	-	-	-	-	-
Net result	(2,437)	(2,435)	(151,549)	50,614	-	-
Other gains (losses)	(71)	253	7,027	4,208	-	-
Taxation	-	-	-	(15,919)	-	-
Net surplus / deficit	(2,507)	(2,182)	(144,523)	38,903	-	-
Retained funds at 1 January 2020	2,150	-	-	-	-	-
Retained funds at 31 December 2020	(357)	(2,182)	(144,523)	38,903	-	-
Called up share capital At 31 December 2020	2	5,481	528,816	917	-	1,000
	2019 PDIL \$	2019 PEL \$	2019 FARM \$	2019 PVKL \$	2019 PFRW \$	2019 PVRWL \$
Income	8,667,818	-	-	-	-	-
Administrative expenditure	(2,305)	-	-	-	-	-
Operating surplus (deficit)	8,665,513	-	-	-	-	-
Distributions under gift aid	(8,665,211)	-	-	-	-	-
Net result	302	-	-	-	-	-
Other gains (losses)	(28)	-	-	-	-	-
Taxation	-	-	-	-	-	-
Net surplus / deficit	274	-	-	-	-	-
Retained funds at 1 January 2019	1,876	-	-	-	-	-
Retained funds at 31 December 2019	2,150	-	-	-	-	-
Called up share capital At 31 December 2019	2	1	-	1,000	-	-

## 11 Debtors

	Group 2020 US\$	Group 2019 US\$	Foundation 2020 US\$	Foundation 2019 US\$
Accounts Receivable	127,135	148,050	127,135	148,050
Prepayments	416,061	157,150	228,241	157,150
Construction advance	35,783	55,533	35,783	55,533
Sundry debtors	70,639	61,779	53,826	61,779
Amounts due from subsidiary undertaking	60,407	-	304,877	2,236
	710,025	422,512	749,862	424,749



## Notes to the financial statements

### 31 December 2020

Construction advance includes advance payments of ETB 1,406,130 (2019: ETB 1,776,973 ) made to the construction companies less any proportional deductions made after subsequent payments. Sundry debtors include rent deposits of £20,781 (2019 – £20,781). The rent deposit is subject to a charge against all sums due and all the Pharo Foundation's obligations under property leases.

#### 12 Creditors: amounts falling due within one year

	Group 2020 US\$	Group 2019 US\$	Foundation 2020 US\$	Foundation 2019 US\$
Provision for corporation tax in subsidiary entity	15,543	-	-	-
Accruals	128,903	73,223	120,652	70,932
Sundry creditors	473,880	378,265	431,987	378,266
	<u>618,326</u>	<u>451,488</u>	<u>552,639</u>	<u>449,198</u>

#### 13 Designated funds

Group	At 1 Jan 2020 US\$	Net new commitments/ Investment US\$	Granted / (Gained / Impaired / Utilised) US\$	At 31 Dec 2020 US\$
Grants payable	1,912,239	206,893	(998,967)	1,120,165
Impact investments	3,245,797	150,000	(1,953,219)	1,442,578
Investments	1,544	-	-	1,544
Tangible fixed assets	2,520,311	999,502	(174,737)	3,345,076
	<u>7,679,891</u>	<u>1,356,395</u>	<u>(3,126,923)</u>	<u>5,909,363</u>

Foundation	At 1 Jan 2020 US\$	Net new commitments/ Investment US\$	Granted / (Gained / Impaired) US\$	At 31 Dec 2020 US\$
Grants payable	1,912,239	206,893	(998,967)	1,120,165
Impact investments	3,245,797	150,000	(1,953,219)	1,442,578
Investments	-	534,296	-	534,296
Tangible fixed assets	2,520,311	467,559	(151,243)	2,836,627
	<u>7,678,347</u>	<u>1,358,748</u>	<u>(3,103,429)</u>	<u>5,933,666</u>

The income funds of the Group and Foundation include the following designated funds which have been set aside out of unrestricted general funds by the Trustees for specific purposes.

The "Grants payable" fund represents monies which the Trustees have committed to various partner organisations. Net new commitments represent new grants awarded in the year less amounts committed in previous periods.

## Notes to the financial statements

### 31 December 2020

The “Impact investments” fund represents monies which the Trustees have invested in enterprises which deliver both financial and mission related returns.

The investments fund in the group represents investment of PDIL in Pharo Management (UK) LLP.

The “Tangible fixed assets” fund represents the net book value of the group and charity’s tangible fixed assets. This value has been set aside to highlight the fact that the tangible fixed assets are required for the group and charity’s activities and are not available as a reserve to fund expenditure or meet future contingencies.

#### 14 Taxation

The Pharo Foundation is a registered charity and, therefore, is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities. The Foundation’s UK subsidiaries gift aids all profits (where applicable) to The Pharo Foundation and hence no tax is payable by them.

The Foundation’s branch registered in Ethiopia and Somaliland are non-profit making, non-government organisation. Under the respective local laws and regulations these overseas operations are exempt from income tax.

Pharo Ventures Kenya Limited is an overseas subsidiary resident in Kenya for taxation purposes. The statutory tax rate was reduced from 30% to 25% for the year of income 2020 by the Tax Laws (Amendment) Act 2020. As a result, the tax charge for the year was US\$15,919 (2019 \$Nil).

#### 15 Related party transactions

The Pharo Foundation is funded by a proportion of profits realised by Pharo Management (UK) LLP, where Mr Guillaume Fonkenell is a Managing Member.

#### 16 Analysis of net assets between funds

Group	General funds US\$	Designated funds US\$	Total US\$
Tangible fixed assets	3,345,076	-	3,345,076
Investments	-	1,444,122	1,444,122
Net current assets	5,935,622	4,465,241	10,400,863
	9,280,698	5,909,363	15,190,061

**Notes to the financial statements**  
**31 December 2020**

<b>Foundation</b>	<b>General funds US\$</b>	<b>Designated funds US\$</b>	<b>Total US\$</b>
Tangible fixed assets	2,836,627	-	2,836,627
Investments	-	1,976,875	1,976,875
Net current assets	6,512,649	3,956,792	10,469,441
	<u>9,349,276</u>	<u>5,933,667</u>	<u>15,282,943</u>

**Financial commitments**

At 31 December 2020, The Pharo Foundation had the following future minimum commitments under non-cancellable operating leases on land and buildings:

	<b>2020 US\$</b>	<b>2019 US\$</b>
Land & Buildings		
. Less than one year	55,489	73,019
. Between two to five years	-	54,764
	<u>55,489</u>	<u>127,784</u>

At 31 December 2020, The Pharo Foundation had capital commitments of 2020 - \$nil (2018 – \$330,067) in respect of contracted for construction works.

The Pharo Foundation's commitments to fund projects where recipients have yet to meet all conditions for receipt are shown in note 13.