

The Pharo Foundation

**Annual Report and Financial
Statements**

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

Charity Registration Number 1143152

For the year ended 31 December 2021

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Reference and administrative information

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Trustees' Report (including Strategic Report)

For the year ended 31 December 2021

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 2021.

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 2021 The Pharo Foundation continues to work with the new Vision, Mission, and Values that are at the forefront of the day-to-day operations of the organization.

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 achieve an economically vibrant Africa by investing in Africa's human and physical capital. 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, and Water. Pharo Ventures, on the other hand, focusses on social enterprise development with an emphasis on job and economic value creation. 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.

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2.2 Objectives

The following were 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 Benishangul Gumuz Regional State (BGRS) government, covering all four areas of focus. The new programme is called Social and Economic Empowerment Program (SEEP)
- In line with the SEEP programme, establish the Pharo Diagnostic Centre
- Enlarge the Pharo Primary School in Assosa
- 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 Early Childhood Education (ECE) programme to 2 additional public schools
- Improve and expand the agriculture programme by shifting the operations to new villages more aligned with the Foundations' agriculture priorities
- Design and build transformational water infrastructures to tackle the effects of ever-worsening droughts
- 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 the anchor entry point into the country

2.3 Activities

Continuing our steady growth in Ethiopia and Somaliland, in 2021 we consolidated our newly established offices in Kenya and Rwanda, onboarding highly qualified staff in key positions. The relaxation of some COVID-19 related restrictions enabled us to perform better in our ongoing operations. Both Ethiopia and Somaliland conducted programme reviews and undertook feasibility studies in potential expansion areas. Pharo Ventures also thrived, established its presence and became operational both in Ethiopia and Somaliland in the first quarter of 2021, while further consolidating its team and plans in Kenya.

3. Achievements and Performance

In Ethiopia, SEEP—marked its second-year operation with considerable lessons and achievements as presented below. Pharo School Homosha welcomed its new principal and Pharo Primary School continued to be the most preferred school in the city. Despite numerous challenges, our infrastructure projects progressed swiftly with the completion of new ECEs, primary school classroom blocks, farmer-training centres, and the renovation of other schools and health centres.

In Somaliland, the expansion of ECE centres to an additional 3 public primary schools increased the total number of Pharo ECE centres to 15, enrolling 942 children. In addition, we started a pilot programme of academic and infrastructure improvement at 2 of the primary schools where the ECEs are located. We

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launched our first vocational training programme where 50 trainees are attending an eight-month course in painting and decorating, electric installation and solar energy.

In Kenya, both the Foundation and Pharo Ventures consolidation included the onboarding of the new Pharo Venture's CEO, Human Resource Manager and Education Business Analyst.

In Rwanda, despite the lengthy conversation on the potential of taking over the education portfolio of another organisation, the process did not conclude as expected. However, the Foundation continued consolidating its presence in the country by onboarding two new staff and assessing other potential investment areas while continuing its search for suitable schools for acquisition.

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 2021, 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 2021, the overall staff headcount at the end of the year was 428, up from 298 in 2020; a substantial increase of 43% year-on-year. The year saw a high increase in employee headcount numbers at The Pharo Foundation programme office and Pharo Schools in Ethiopia. We also experienced significant growth in Somaliland due to the expansion of the programme team in the Foundation office and the set-up of Pharo Construction in Somaliland.

The regional office team in Kenya grew with the staffing of team members in the education programme and HR as well as the joining of the Director of Health in November to support the health expansion initiatives across East Africa.

Most of the staff departures were due to the decommissioning of the Pharo Farm in Ethiopia in December 2021, which was managed well by the HR team facilitating reassignments of some employees to different duty stations based on the talent needs. We have continued to increase our recruitment efforts across all countries

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and expect our staff numbers to grow in a controlled manner in 2022 and beyond as we expand our operations in Rwanda, Somaliland and Kenya.

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 affect 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:

Agriculture:

The Foundation focusses on sustainable, climate smart agricultural techniques to fight negative climatic effects and erratic rain patterns. We focus on Good Agricultural Practices (GAP) training with special attention to drought resistant seeds, crop rotation, mulching, fertilisers, pest control and water conservation through drip irrigation. To date, our agriculture programmes have worked with 2,800 farmers in Ethiopia and Somaliland.

Education:

Our two-prong approach of running Pharo brand schools as centres of excellence and working with local governments to improve public school infrastructure and academic levels is working well.

Pharo Schools provide quality education directly to 1,700 students at 5 locations and each Pharo school has established itself as the best in its class. In addition, each year we provide free ECE education to almost 1,000 6-year-olds in Somaliland public schools. Our infrastructure improvements and teacher training efforts, both in Ethiopia and Somaliland, have helped improve the standards at 11 government schools that cater to 13,000 students.

Health:

The Foundation strives to improve the availability and quality of health services. In Ethiopia, the renovation of the two health centres helped improve the quality of health services for 30,000 residents around Menge and Homosha. The intensive care unit (ICU) and Neonatal Intensive Care Unit (NICU) constructed by the Foundation save hundreds of lives every year and were described as exceptional compared to other departments of the hospital by the Ministry of Health officials.

Water:

Shortage of water or access to it continue to be critical and life-threatening problems in both Ethiopia and Somaliland. The Foundation focusses on transformational projects that bring water to large numbers of the population. Our projects consider all available alternatives from roof water harvesting to reservoirs that capture rain water to boreholes and wells. Our projects have increased water access for 48,000 people in Somaliland and Ethiopia. Once the Assosa town water project is completed, this number will increase by an additional 11,000.

In 2021 keeping in mind our strategic objectives, our teams in Ethiopia and Somaliland undertook feasibility studies for potential expansion communities and new programme components. Preliminary results of the feasibility study in Somaliland identified potential partner communities in three villages of the Maroodijeex region for agricultural intervention and another three villages for water development. Moreover, preliminary findings affirmed the need to start health as a new standalone programme area.

In Ethiopia, the feasibility study was conducted on the North Shoa Zone of the Amhara region. Its proximity to Addis Ababa and its recent emergence as an industrial zone as well as the relative peace and security in the area presented a good opportunity to explore. Preliminary findings indicate potential in education, health, and social enterprises development in the zone.

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In 2021, we developed a comprehensive country background paper for Rwanda. The paper analysed the overall social economic context and government priority development areas in education, agriculture, health, and social enterprises development, as well as the private sector and charities engagement. We are now considering education as a first entry programme for Rwanda, believing it to be a good anchor for our future programming.

In Kenya, beyond consolidating the regional hub with qualified human resources and establishing systems, we undertook a reconnaissance of programme opportunities. Consequently, to jump start our education pillar in Kenya, we are finalising a thorough due diligence to potentially entering primary education in Nairobi.

3.2.1 Ethiopia

2021 was a very challenging year in Ethiopia with an intensified armed conflict in the northern part of the country, election related unrest in different regions, and the impact a COVID 19 second wave. This was exacerbated by international diplomatic pressure, suspension of aid, and threat of economic sanctions that resulted in economic downturn and escalated inflation.

Despite the challenges, our Social and Economic Empowerment Programme (SEEP) made steady progress. In its second year of implementation, SEEP improved access to quality education for 687 early-years children (Kindergarten- KG level) and 11,237 primary school children. The comprehensive revamp of two health centres improved access to quality health services for more than 30,000 population of two districts. The Pharo-supported ICU and NICU in the Assosa General Hospital increased survival rates of admitted adults and infants to 82% and 93.1% respectively. Moreover, the agriculture programme reached 1,159 households through its crop production, poultry, beekeeping, and animal fattening interventions.

a. Improving Agriculture Production and Productivity

The agricultural development programme is one of the main components of SEEP, through which we envisage to diversify livelihoods options and increase household income for 3,300 households by 2024. From 2017 to 2020 the previous agriculture programme reached 677 households, leading to significant increases in harvest yields and improving the average annual household income.

In 2021, participant numbers increased by an additional 442 crop producers and 40 goat and shepherders. Consequently, the total number of participants in 2021 was 1,159 households, of which 960 in crop production, 108 poultry, 51 beekeeping and 40 goat and shepherders. We hope to add to the poultry and beekeeping households once we identify more suitable hybrid poultry types and more focussed farmers willing to carry out the training and follow-ups.

Advancing Good Agricultural Practices (GAP)



Conservation agriculture and demonstration at the Farmers Training Centre, Keshaf Kebele.

Using Farmers' Training Centres (FTCs) as an anchor for advancing GAP, our field experts together with government agriculture workers provided periodic farm support and coaching for all programme participants. In 2021, we established three FTCs, increasing the total number of The Pharo Foundation supported FTCs to four. In the reporting period, 818 farmers were trained in various good agricultural practices in these centres including crop diversification, resulting in better output in 2021.

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Improving Crop Production and Productivity

Owing to the early onset of rain, shortage of farm inputs and security concerns, maize yield per hectare showed a slight decrease compared to last year's. However, it is still encouraging that the farmers are maintaining yields that are threefold of the baseline figures.



Groundnut and maize farm in Homosha.

The major achievement registered in the 2021 cropping season was in crop diversification as mentioned above. 63% of participants cultivated at least one crop other than maize, covering on average of 0.23 hectares of their farmland. This is a huge achievement, as farmers had been reluctant to adopt secondary crops despite its benefit in income, nutrition, and risk mitigation. Secondary crops cultivated include haricot beans, soya beans, groundnut, and sesame seeds.

Poultry, Beekeeping, and Animal Fattening

Poultry production has been challenged by diseases, lack of veterinary service, inability to afford feed and wild animal attacks. Consequently, fearing total loss, 41% of the participant households liquidated their poultry stocks in 2021. The earnings from the sales were invested in the purchase of goats, fertilizers and improved seeds, rental of a tractor and household expenses. However, other farmers like Mr. Suwar Atayer are finding success in their poultry.



Mr. Suwar Atayer, 35 years old.

Mr. Suwar Atayer, 35 years old, is among the best performing poultry producers in the programme. After joining the programme in 2018, he has progressed remarkably well in his poultry production. He currently owns 20 head of poultry and also bought goats with the income he earned from selling eggs and older hens and cocks. During the last 18 months, Mr. Suwar earned about ETB 7,200 (USD 150) from such sales.

In the last three years, the honey pilot programme farmers produced 270 kilograms and sold 194 kilograms of the harvest for about ETB 18,900 (USD 360). In 2021, half of the colonies deserted their beehives for a large part of the season. Only 49% of participants were able to harvest honey.

However, after taking corrective measures as recommended by our field team such as relocating beehives under shade, 75% of beehives have been recolonized and farmers are looking forward to a better harvest.



In 2020, as part of the household livelihood income diversification and as per the articulated needs of farmers the Foundation also started small ruminant livestock support. In 2021, 40 households who completed the training and the construction of small ruminant houses in the Menge and Undulu districts were provided with 40 improved breed goats for fattening. Midline evaluations in 2022 will determine whether the pilot should be scaled up.

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b. Improving Access and Quality of Education

Public Schools Upgrading

During the reporting period, we continued our interventions aimed at improving access and quality of basic education in all 11 public target schools in which 11,237 (5,764 male, 5,473 female) students were enrolled. Our intervention in these schools is also benefiting more than 687 children enrolled in the early childhood education centres, who would otherwise be learning under trees and makeshift classrooms.



Makeshift class for students.



Assosa ECE class under a tree.

To this end, in 2021, the Foundation constructed five ECEs, four primary school additional blocks with four classrooms each, three gender segregated toilets, two water-harvesting structures, and a pedagogical centre. In addition, the Foundation also renovated five old classroom blocks, a laboratory and ECE centres. These newly constructed and renovated classrooms improved the classroom student ratios significantly. For example, in Tumat Aziz Primary School the ratio reduced from 1:87 to 1:54, while in Alhamer Primary School it improved from 1:92 to 1:66.



School infrastructure improvement.

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New school toilets.



Greening school compound Keshaf Primary School.



School water harvesting tank.

In collaboration with the district education experts, the Foundation trained 1,440 selected school club leaders on topics such as leadership, Child Hygiene and Sanitation Training (CHAST) and life skills. Moreover, training in inclusive education was provided for 67 key local education stakeholder representatives such as teachers, kebele education board members, and parent teachers' association representatives. Following the training, schools conducted several awareness raising and practical school cleaning and greening activities.



Rewarding best performing students and parents.

The Foundation supported 754 (419 male, 335 female) students with exercise books and writing materials. After-school supplementary classes were provided for 1,176 low performing students on English, Mathematics and Science subjects.

On the other hand, more than 267 students, 252 parents and 28 Kebele education officers were recognised for good academic performance, providing support for their children, and undertaking regular supportive supervision.

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Pharo Primary School Assosa



Pharo Primary School Assosa School assembly.

Since its opening in October 2020 Pharo Primary School Assosa is thriving towards achieving its goal of becoming a centre of learning excellence in the region. In the reporting period, significant investments were made in to strengthening its institutional capacity in terms of leadership, systems, operational standards, facilities, and human resources. In the 2021/2022 academic year, the school secured accreditation to teach from Grade 1-8 from the regional government. Consequently, in the academic year the school enrolled a total of 382 students (164 boys and 218 girls) in grades 1 to 8.

Pharo School Homosha

In 2021/2022, Pharo School Homosha welcomed its new Principal and new Head of Academics. After almost 1.5 years of remote teaching, the school returned to in-class education in the current academic year and welcomed 163 students. The focus for the academic year was:



Homosha School activities.

- Enhancing the overall academic standards with an emphasis on English, Maths and Science classes as well as the overall discipline of students.
- Bringing fun to learning and taking a holistic approach to students' education by introducing the After School Enrichment Programme. The students are now equipped with better life skills ranging from riding a bicycle, cooking, planting vegetables, basic vehicle maintenance, basic work on electrical, mechanical & plumbing, as well as assembling a computer. This programme is helping build the students' self-confidence as well.

The continuous mentoring and support measures are helping to raise the overall standards of both the teaching staff and students. The English teachers are attending a UK-based English course. Many important events have been introduced such as Maths Day, Business Day and Sports Day to invigorate the learning experience.

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Homosha School.

The school is also registered as a National Exams Centre and all Grade 12 students are registered to take the national exam required to graduate. The school has also been awarded a Level 4 (top) status after a thorough inspection by the education bureau. According to the inspectors, 'this is the model school for all other schools in Ethiopia'.

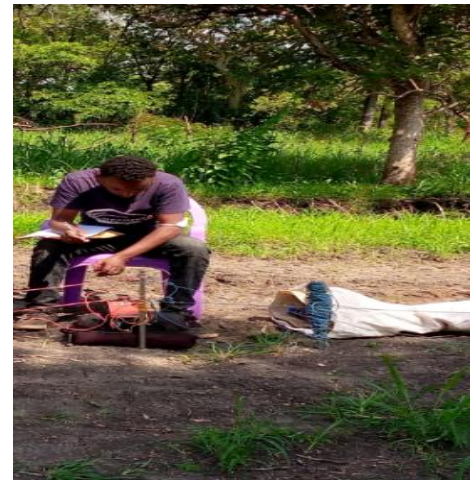
The kitchen and staff residence have been completed, improving the living standards on campus. Despite many unprecedented challenges in Ethiopia, the staff and students are working together to continue to raise standards in every area, helping all students to achieve and unlock their full potential to secure an outstanding future for the school.

c. Increasing Access to Clean and Adequate Drinking Water



Asossa water supply deep well drilling.

Assosa, the capital of BGRS, suffers from severe water shortages. Residents of the city and institutions like hospitals and schools receive intermittent water supply. In support of the regional government's effort to alleviate the problem, the Foundation committed to drilling three deep water wells for the city. In the reporting period, the drilling of deep wells was completed, of which two became productive. Hydrological investigations for a planned rural water supply scheme were also conducted in seven deep wells and three shallow well potential locations.



Hydrological investigation for rural water supply.

d. Improving access and quality of health services

Menge and Homosha health centres were our main targets in 2021. These health centres were not in a position where they could provide standard health services to about 31,000 people living in their coverage area. The renovation of the two health centres was as comprehensive as possible and included physical repair and maintenance of the main blocks and water pipes, changing the sanitation facilities and the electrical cables and lines in all rooms.

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Menge health centre before and after renovation.



Asossa hospital NICU

Adult and Neonatal Intensive Care Unit (ICU/NICU):

From January 2021 to the end of September 2021, the units have served a total of 1,550 patients in need of critical care including 1,171 neonates and 379 adult patients. The rate of survival has varied across the quarters while showing an overall improvement. For example, last year January to September 2020, the survival rate at NICU was 89% and that of the adult ICU was 72%. For the same period this year, the rate has increased to 93.1% and 82% in NICU and adult ICU respectively.



Community awareness raising event in Abora Kebele.

Community Hygiene and Sanitation Promotion:

Several community awareness events for different sections of the community on sanitation and hygiene were conducted in 2021. 18 nurses and health extension workers were trained on sanitation and hygiene. They in turn trained 1,279 mothers in the target communities.

Market lead sanitation service: The Foundation supported the establishment of three youth groups to organise themselves and start a market oriented sanitary business. Accordingly, a public toilet service was established in Assosa town bus station by a youth group of seven members. The group charges ETB 10 for a shower and ETB 5 for the toilet. This project is a good example of providing necessary services, while creating new jobs especially for the youth.

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Youth groups in Menge and Homosha are engaged in production and distribution of sanitary products as well.

Their first product is a rural pit latrine concrete slab. In general, the two enterprises were able to produce and sell 90 slabs in the reporting year and managed to save ETB 27,000 after restocking their production inputs and deducting modest income for their livelihoods.



Youth group activities.

Pharo Diagnostic Centre (PDC):



The Pharo Diagnostic Centre, Asossa, Ethiopia.

Last year, the Foundation took steps in establishing a diagnostic centre, envisioning to become a dependable partner in the quality of health care. The PDC aims at providing an accurate and client oriented diagnostic service including a medical laboratory and imaging studies. The Foundation hoped to launch the centre in the second half of 2021. Unfortunately, due to supply chain disruptions and security issues in Ethiopia, plans were postponed to 2022. In the meantime, preparation of the facility including the supply and fitting of all locally available materials was completed.

In preparation for the opening, the team has developed a working manual for standards of practices and operations within the PDC. International Organization for Standardization (ISO) for medical laboratories is the benchmark for developing the working manuals. Moreover, to deliver quality and efficient service through the integration of different units within PDC, and to ensure standard information handling mechanism, a Laboratory Information Management System software will be installed as soon as the laboratory machines are delivered to the centre

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3.2.2. Somaliland

a. Improving Agriculture Production and Productivity



Drip irrigation in Botor village

In the last four years of working with small scale farmers in Botor and Ilinta, the Foundation introduced community level drip irrigation for predominantly pastoral communities by providing drip irrigation kits and other supplies, also through training, coaching, and mentoring. In 2021, the third cohort comprising of 60 farmers completed climate smart agriculture training and finalised the preparation their irrigation water ponds. Subsequently, the Foundation supplied drip irrigation kits and some of the farmers already started cultivating cash crops such as onions and tomatoes. The intervention resulted in increasing access to water, diversifying livelihood options, and increasing household income of the participating farmers.

In June, a delegation from the Somaliland Ministry of Agriculture led by the Director General (DG) paid a visit to The Pharo Foundation community drip irrigation implementation sites in Botor and Ilinta. The DG visited demonstration sites, individual farms and interacted with villagers who have been involved in the programme.



Somaliland Ministry of Agriculture Director General visiting Pharo Foundation supported irrigation water harvesting structure.

At the first ever Agriculture Symposium held in Somaliland later in the month, the DG presented his observations in Botor and Ilinta and praised the Foundation's work, stating "I can confidently say that The Pharo Foundation has taken the lead in introducing modern climate smart agriculture at the community level".

Animal Fattening Programme: The Foundation implemented a women empowerment pilot project to create a sustainable women-owned rural business. The project started at the end of 2020 by providing initial capital in the form of a loan for ten women from Botor village so they could each buy 10 animals to fatten.

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Animal fattening programme.

Participants not only fattened and sold their animals at a better price, but also the majority of them paid back the loan they took from the Foundation in good time. In addition, some of the women bought new animals with the proceeds to continue with their business. The Foundation will evaluate the final results before taking a decision whether the programme should be scaled up or even implemented in other regions.

Gully prevention: Gully formation has serious threats to our operational villages, Botor and Illinta; some farming plots are abandoned due to the erosion of the arable soil and the formation of drainage channels. The Foundation implemented a gully management project in February and March. By constructing well-designed soil bunds, 60 farms were repaired. The bunds reduced water runoff and increased water retention which prevented the expansion of the gullies. Moreover, the bunds enabled restoration of maximum rainwater and nutrients in the plots. After only two rainy seasons, the farms demonstrated tremendous reduction of soil loss and gully stabilisation.



Before gully prevention.



After gully prevention.



Tractor tillage of land.

Emergency support: The rain arrived unexpectedly in Botor and Illinta villages in the 2021 crop season, giving farmers no time to prepare their land on time. Consequently, the Foundation stepped in to support 250 vulnerable households by hiring tractors to accelerate tillage and farm preparation. The support helped farmers to cultivate sorghum and maize crops that improved household food security and animal feed availability during the dry season. While the Foundation focuses on long term sustainable development and does not implement emergency interventions as part of its strategy, the increasing unpredictability of the climactic factors and security problems are making us consider critical emergency interventions more regularly.

Environment week: Led by the agriculture team, Pharo environmental week was observed in the third week of November by planting trees at the Pharo Primary School in Hargeisa. The aim of the tree planting activity was firstly to teach the young students the importance of trees and the vital role they play in the ecosystem. The second objective was to establish environmental awareness within the Pharo team. While the third objective was to plant shade, ornamental and fruit trees in the school yard, which would create a peaceful and pleasing environment for the school. The activity also complements the Greening Hargeisa mission of the Hargeisa Municipality.

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b. Improving Access to Quality Education

Vocational skills training: Following a skills and market gap assessment conducted on the construction industry in Hargeisa, the Foundation successfully launched its first pilot vocational training programme in September.

Finalising the necessary preparation including developing and translating course materials into the Somali language, the Foundation enrolled the first cohort of 50 trainees in painting and decorating, electric installation and solar energy. The students are mostly high school graduates who are currently unemployed. Once students complete the course and get their certificates, they will be sought after employees and are expected to find employment readily.



Vocation skills training painting and electrical installation.

Early Childhood Education (ECE)

With the establishment of three new ECE centres in 2021, the total number of Pharo supported ECE centres integrated in public primary schools in Hargeisa reached 15. In these centres 942 children were enrolled and are enjoying a safe and clean learning environment, nutritious snacks, regular health checks, and age appropriate play-based education.

This time last year we were able to supply snacks for only 4 of the 15 centres from our own kitchen while outsourcing the rest. In 2021, however, we successfully catered for all 15 centres from our own kitchen. Beyond the cost saving, the ability to control the quality of the snack has brought about a bigger impact on children's wellbeing. A pre- and post- health assessment of 816 children showed that general malnutrition decreased from 35% at enrolment to 15% at the end of the academic year across all centres.

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Parents dropping kids at one of our ECEs.



Nutrition snack preparation at a Pharo kitchen.



Oral health check.



Teachers training.

From Early Childhood Education to Early Childhood Development (ECE to ECD):

The current Pharo Foundation ECE programme has always had components of ECD (health assessment, community engagement, nutrition programme, etc.). However, in 2021 we started an expanded programme to target caregivers of our students. The aim is to support them in creating a nurturing and healthy environment at home, which in turn translates to higher student achievements.

The initiative is informed by the findings of International Development and Early Learning Assessment (IDELA) home learning environment survey we conducted in 2019. The survey identified that 70% of women caregivers have not been to school at all and the majority of children have no age appropriate books or toys at home.

Managing the transition to primary: Since 2016, more than 2,720 students graduated from the ECE programme and moved on to grade one. It has been observed that when our students reach grade one, the public school classroom culture and teaching did not match up to the learning environment that they were used to at Pharo ECE centres.

Teachers often find it difficult to provide individual support for grade one children as they have to deal with many children in crowded classrooms. The situation has increased frustration among children that have gone through the ECE programme as they have already learned most of the lessons being taught at grade one level.

Consequently, with the objective of facilitating a safe transition to primary school by providing education at a natural progress level after ECE, the Foundation decided to extend its support to primary schools where the ECEs are located, starting from grade one. The pilot programme targetted two schools with classroom improvement and teacher training. If the results are encouraging, the programme will be rolled out to all public schools where the ECEs are located.

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Pharo Schools Somaliland

Last year, the Foundation conducted a thorough assessment of all Pharo Schools in Somaliland. Based on the findings of the assessment a comprehensive school improvement plan was developed and implementation commenced in the 2021/2022 academic year. The improvement plan includes school policy and procedures, academic standards and the teachers' expectation of professional development. All the schools adopted a new schedule, updated the curriculum delivery model, and modified teachers' work load, with a focus on having teachers as subject experts.

The Foundation's education team is now focusing on ensuring that school management has the support required to execute these new operational and academic standards. Since the implementation of the change, encouraging results have been observed in the teachers' motivation and the students achievement.

The Foundation added another classroom to the Pharo KG. This is a major milestone for the Kindergarten as student enrollment has increased by 25%.

For both the Primary school and KG, creating a welcoming safe environment was the priority for 2021. With the addition of school nurses, the Foundation focused on student wellbeing by providing health education to students and school staff.

In the 2021 National Exam, Pharo Secondary School students scored significantly high marks. Out of a total of 65 students that sat the exam, 61 scored A+ and A, while two students scored A- and another two scored B. These are the best results in the entire country for one particular school.

The comprehensive assessment also revealed some school environment related gaps, which included inadequate dormitory rooms for girls in Pharo Sheikh Secondary School. Subsequently, the Foundation embarked on a major expansion project including an additional girls' dormitory block. The first phase of the construction was completed in December 2021. When finished, the dormitory will provide comfortable living and study space for 72 female students.



Pharo Secondary School Sheikh expansion- new girls' dormitory.

c. Improving access to adequate and safe water



Community consultation during feasibility study.

The Water Programme kick started in March with the joining of the new Head of WASH. The main activities carried out were a feasibility study for 6 villages (including Awbarkhadle, Dararweyne, Hunbawayne and Jalelo) and a baseline study for 3 villages in Gabiley district, (Ijaara, Boodhley and Taysa).

The objective of the team is to design and implement transformational water structures to help alleviate the ever-worsening water shortage problems in the country.

Trustees' Report (including Strategic Report) For the year ended 31 December 2021



The Foundation is also rehabilitating the earth dam in Ilinta village and installing a geo-membrane at the main reservoir. The reservoir already renovated in 2018 by the Foundation was damaged over the last few years and needed the additional works. The rehabilitation is expected to be completed in early 2022 in time for the rains.

4. Rwanda



Rwanda office team.

In 2021, the Foundation continued with the conversation to lease and take over the management of a portfolio of schools across Rwanda; unfortunately, the discussions did not yield the expected results. The Foundation then proceeded to look for other potential schools suitable for leasing. The search for a suitable school continues and we hope to open our first primary school in 2023.

The Foundation continued to grow with recruitment of additional new staff and the team remains committed to start with the education pillar in Rwanda before commencing with the other strategic pillars.

5. Kenya



The Kenya office continued its recruitment efforts and onboarded several key team members over the year including in HR, health, and education.

The due diligence on the education sector continued and the Foundation is very excited about the potential for impact in Nairobi. The Foundation also facilitated a tree planting initiative in Kenya as one of the activities to commemorate the Foundation's 10-year anniversary and as part of our Corporate Social Responsibility. This was in collaboration with a local primary school and an environmental conservation body. The initiative was aimed at propagating the importance of environmental conservation and its impact on future generations.

Trustees' Report (including Strategic Report) For the year ended 31 December 2021

6. Pharo Ventures (PV)

Overview and Outlook

In July, Pharo Ventures welcomed its new CEO. Despite the challenges brought about by the pandemic, Pharo Ventures did not lose momentum in its goal to invest in and scale profitable commercial ventures in East Africa. The company pivoted its country operations to a hybrid of virtual and semi-virtual delivery in direct response to the pandemic.

The pivot allowed PV to accelerate the hiring process for the country teams. This acceleration saw an influx of new talent joining at all levels. Total headcount now stands at 27 with more to join in 2022. In addition, Pharo Ventures improved its operating procedures and introduced new technologies across its organisation to strengthen procurement process and financial reporting.

Regional investment activities also gathered pace:

The Ethiopia Ventures team proposed a large investment in a 50 MT per day edible oil processing plant. The state-of-the-art plant will process four different types of oil seeds into edible oils and animal feed cakes. The board approved the business plan in July and, since then, the team has focused on gathering market intelligence, recruiting for key project positions, and securing land.



The Somaliland Ventures team set up its first commercial venture in the construction sector. 2021 being the first year of operation meant that Pharo Construction Ltd (PCL) concentrated on recruitment, gaining market entry, and learning how to remain competitive in the industry. It managed to secure six construction projects during the year. The projects are broken down as follows:

- Three are in the education sector,
- Two are in development of residential properties in Hargeisa;
- One minor project involving the construction of a wall fence.

Two of the school projects and the fencing works were completed by year-end while construction of the two residential homes is still on-going with completion expected in 2022. PCL being a platform company has provided a learning opportunity to the rest of the ventures team.

At the same time, the Somaliland team spent the year developing a business plan for the commercial farming venture and completing the installation of the batching plant at PCL.

2021 was a foundation year for Pharo Ventures in many ways and while it made the company rethink many things it also unlocked new opportunities for its work, such as how it supports the initial phases of the infrastructure buildout of its investments.

7. The Pharo Foundation Strategy (2020- 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.

Trustees' Report (including Strategic Report) For the year ended 31 December 2021

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 initiatives 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 under Pharo Ventures. 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.

8. Structure, Governance and Management

8.1 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).

8.2 Organisational structure

The Pharo Foundation is a medium-sized, yet growing, organisation with its Trustees overseeing its work routinely. The group ownership and control of various entities are listed under note 11 below.

In 2019, the Foundation took the strategic decision to establish various social enterprise businesses to carry out more of its activities under the Pharo Ventures name. 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 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 2021 and up to the date of approval of these financial statements were:

Mr Matthieu Baumgartner
Mr Guillaume Fonkenell
Mr Mustafa Jama
Ms Farah Jirdeh-Fonkenell
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 9 of the financial statements.

Trustees' Report (including Strategic Report)

For the year ended 31 December 2021

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 the CEO and guidance from the Trustees as well the CEO of Pharo Ventures who reports to the CEO of the Foundation.

8.3 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.

8.4 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 July 2021.

Our updated risk management matrix contains 20 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.

Trustees' Report (including Strategic Report) For the year ended 31 December 2021

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 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.

8.5 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.

8.6 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.

8.7 Compliance with Trustees Duties under Section 172(2) Companies Act 2006

Trustees must act in the way they consider, in good faith, would be most likely to promote success to achieve its charitable purposes. The Trustees, in doing so, delegate day to day management and decision-making to the Chief Executive, who, with other key management, is required to act to further its strategy and to ensure that the activities are carried out in compliance with agreed plans and policies. The Trustees receive updates on performance and plans at each Board of Trustee meeting. In carrying out their duties, the Trustees have regards (among other matters) to:

8.7.1 Foster the charity's business relationships with suppliers, customers and others

Our network of collaborations includes working with various stakeholders such as vendors, individuals' communities and various government sectors in a move to positively contribute towards improving the livelihood of people through increase access to education, agriculture, health and water.

These partnerships are key to our work in Africa. Mutual respect together with transparency, trust and accountability form the basis of our work with others. Overall, our values govern our procurement process and all our suppliers must comply with our code of conduct and principles of our procurement policy.

Trustees' Report (including Strategic Report)

For the year ended 31 December 2021

9. Future Plans and Objectives

Our strategy, vision, mission and values continued to guide us in 2021. Our strong and focussed team were critical in our growth and numerous achievements and will continue likewise in 2022. Our aim is to continue to grow our offices and headcount across all countries while continuously developing and upgrading our talent pool, to fully establish Nairobi as our East Africa headquarters, to start launching social ventures business in Somaliland and Ethiopia.

The following are our key objectives for 2022:

Organisational

- Culture building across the entire organisation to ensure every employee is aligned with the vision, mission, and values of the organisation.
- Improve internal and external communication
- Continuous professional development for all staff
- Finalise key hires, especially in Kenya and Rwanda
- Continue to improve operational efficiencies
- Continue to improve M&E processes and reporting

In Ethiopia

- Continue to build a solid team and operational structure; upgrade team as needed
- Continue implementation of the new 5-year plan in BGRS government, covering all four areas of focus and with a renewed focus on water infrastructure development
- In line with the SEEP programme, establish the Pharo Diagnostic Centre
- Start a new and larger primary school in Assosa
- Ensure success of Pharo School Homosha graduating class in university entrance process
- Acquire land and start plans for the construction of Pharo regional offices in Assosa
- Establish a commercial farm, as well as a business plan for subsequent social ventures

In Somaliland

- Continue to build a solid team and operational structure
- Improve fiscal discipline and academic excellence at Pharo Schools
- Continue expansion of the ECE programme to 2 additional public schools
- Improve and expand the Agriculture programme
- Design and implement transformational water infrastructure to address the chronic water shortage in the country
- Kick-start the health pillar through the implementation of a strategic pilot project
- Consolidate Pharo Construction's position in the sector
- Assess the feasibility of a commercial farm under Pharo Ventures

In Kenya

- Continue to build a strong management team to oversee the East African operations and ensure seamless integration with country 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 2022, as observed in 2021:

- 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.

Trustees' Report (including Strategic Report)

For the year ended 31 December 2021

10. Financial Review

10.1 Financial position

The Pharo Foundation received a donation of US\$ 20,011,801 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\$ 20,640,982 from donations and legacies, charitable activities, investment and other trading activities. Income from donations and legacies increased by US\$ 39,219 representing a 64% increase from the previous year. Income from charitable activities decreased by US\$ 93,811 representing a 16% decrease from prior year mainly due to incorporation of an extra school term in prior year as compared to the current year. Income from investment increased by 130%, mainly due to increased disbursement from PDIL. Other trading incomes amounting to US\$ 14,402 related to income from social ventures businesses.

During the year, the total expenditure of the group was US\$ 11,253,565. Expenditure overall increased by 60%, which was a result of the Foundation operations expansion. The Foundation incurred a total cost of US\$ 1,958,287 as part of social ventures trading (2020, \$154,010). Foundation grants awarded increased by 7%, equivalent to US\$ 65,180 as compared to the previous year. Agriculture, Education, Health, Water and Sanitation programmes cost significantly increased by US\$ 2,398,880, which is up 35% compared to last year. This was mainly due to the restart of our operations after Covid-19 pandemic and expansion of the Foundation programmes during the year.

At 31 December 2021, the group had total unrestricted funds of US\$ 24,174,167. Of this amount, US\$ 163,799 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\$ 5,222,784 is the net book value of the group and charity's tangible fixed assets and US\$ 1,803,222 is being invested in impact investments and the remaining unrestricted funds of US\$ 16,982,818 are the group's reserves.

The Pharo Foundation does not undertake fundraising activities.

Investment policy

The Pharo Foundation had an investment portfolio valued at US\$ 1,804,766 at 31 December 2021 (2020 – US\$ 1,444,122). The Pharo Foundation has a mixed motive investment charitable objective. The investment objective is two-fold. One objective is to generate annual investment returns in excess of cash deposit accounts the rate and/or to further its 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 also 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 increased by 25% resulting in a net gain of US\$ 360,644. The net gain was mainly due to the revaluation of investment at year-end to reflect economic stability gained after the impact of the Covid-19 pandemic on the global markets.

Trustees' Report (including Strategic Report)

For the year ended 31 December 2021

10.2 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:

A handwritten signature in black ink, appearing to read 'G. Fonkenell', with a horizontal line underneath.

Mr Guillaume Fonkenell,
Trustee

Approved by the Trustees on 29th September 2022

Independent auditor's report

For the year ended 31 December 2021

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 2021 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 2021 and of the group's income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's 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 2021

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 2021

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 2021

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. This description forms part of our auditor's report.

Independent auditor's report

For the year ended 31 December 2021

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.



Edward Finch, (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL
Date: 30 September 2022

Consolidated statement of financial activities
For the year ended 31 December 2021

	Notes	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Income from:			
Donations and legacies	1	100,689	61,470
Charitable activities	2	498,099	591,910
Other trading activities	3	14,402	-
Investment	4	20,027,792	8,703,597
Total income		20,640,982	9,356,977
Expenditure on:			
Social ventures trading	5	1,958,287	154,010
Charitable activities	6	9,295,278	6,896,398
Total expenditure		11,253,565	7,050,408
Minority interests		228	-
Net income before investment gains		9,387,645	2,306,569
Net gains/(losses) on investment assets	7	360,644	(1,953,219)
Net income		9,748,289	353,350
Other recognised gains/losses			
(Losses) on foreign exchange		(764,183)	(649,407)
Net movement in funds	8	8,984,106	(296,057)
Total funds brought forward		15,190,061	15,486,118
Total funds carried forward		24,174,167	15,190,061

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 2021

	Notes	Group 2021 US\$	Group 2020 US\$	Foundation 2021 US\$	Foundation 2020 US\$
Fixed assets					
Tangible assets	10	5,222,784	3,345,076	3,407,283	2,836,627
Investments	11	1,804,766	1,444,122	4,057,705	1,976,875
		<u>7,027,550</u>	<u>4,789,198</u>	<u>7,464,988</u>	<u>4,813,502</u>
Current assets					
Debtors due within one year	12	854,535	710,024	654,406	749,863
Cash at bank and in hand		17,157,953	10,309,165	16,873,664	10,272,217
		<u>18,012,488</u>	<u>11,019,189</u>	<u>17,528,070</u>	<u>11,022,080</u>
Creditors: amounts falling due within one year	13	<u>(865,427)</u>	<u>(618,326)</u>	<u>(834,658)</u>	<u>(552,639)</u>
Net current assets		<u>17,147,061</u>	<u>10,400,863</u>	<u>16,693,412</u>	<u>10,469,441</u>
Total net assets		<u>24,174,611</u>	<u>15,190,061</u>	<u>24,158,400</u>	<u>15,282,943</u>
Minority interests		<u>(444)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets attributable to Group		<u>24,174,167</u>	<u>15,190,061</u>	<u>24,158,400</u>	<u>15,282,943</u>
Funds of the charity:					
Unrestricted Funds					
. General funds		16,982,818	9,280,698	16,529,613	9,349,276
. Designated funds	14	7,191,349	5,909,363	7,628,787	5,933,667
		<u>24,174,167</u>	<u>15,190,061</u>	<u>24,158,400</u>	<u>15,282,943</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 29th September 2022

Statement of Cash Flows

31 December 2021

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Cash flows from operating activities:		
Net cash (used in) operating activities	(9,715,134)	(6,306,150)
Cash flows from investing activities:		
Income from investments	20,027,792	8,703,597
Purchase of tangible fixed assets	(3,213,202)	(1,464,582)
Net cash provided by investing activities	16,814,590	7,239,015
Change in cash and cash equivalents in the reporting period	7,099,456	932,866
Cash and cash equivalents at 01 January 2021	10,309,165	9,747,442
Change in cash and cash equivalents due to exchange rate movements	(250,668)	(371,143)
Cash and cash equivalents at 31 December 2021	17,157,953	10,309,165

Reconciliation of net income/(expenditure) to net cash flow from operating activities

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Net income for the reporting period (as per the statement of financial activities)	9,748,289	353,350
Adjustments for:		
(Gains) / losses on investments	(360,644)	1,953,219
Finance cost / Interest expense	-	-
Depreciation charges	446,674	211,552
Impairment of fixed assets	375,749	-
Income from investments	(20,027,792)	(8,703,597)
(Increase) in debtors	(144,511)	(287,512)
Increase in creditors	247,101	166,838
Net cash used in operating activities	(9,715,134)	(6,306,150)

Principal accounting policies

31 December 2021

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 11, for the year ended 31 December 2021. 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 11, for the year ended 31 December 2021. 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.

- Pharo Management (UK) LLP: 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: Following availability of reliable fair values at the year-end, this investment has been held at revalued amount mainly to reflect economic stability gained after the impact of the

Principal accounting policies

31 December 2021

Covid-19 pandemic on the global markets. The trustees have determined the value of these investments to not be impaired

- 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 2021, the Foundation has assessed the potential impact of political unrest and persistent increase in inflation 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 26 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 in May 2022 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 is 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.

Construction income from social ventures applies percentage of completion ("PoC") of the contract to estimate the revenue to be recognized during the year. The stage of completion of a contract may be determined by a variety of ways. Depending on the nature of the contract, revenue is recognised as contractually agreed technical milestones are reached, as units are delivered or as the work progresses.

Principal accounting policies

31 December 2021

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 ventures' trading expenditure includes direct and indirect costs such as salaries, overheads, and governance costs incurred by the Pharo 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
Plant and Machinery	5 years estimated useful life
Building	20 years estimated useful life
Leasehold Improvement	5 years estimated useful life
Land	No depreciation
Construction in progress	No depreciation

Construction in progress comprises of partial completed proportion of the buildings measured at cost.

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

Principal accounting policies

31 December 2021

are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

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 14.

Notes to the financial statements

31 December 2021

1 Donations and legacies

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Donations	100,689	61,470
	<u>100,689</u>	<u>61,470</u>

2 Income from charitable activities

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Pharo Schools	496,627	573,088
Other income	1,472	18,822
	<u>498,099</u>	<u>591,910</u>

3 Income from social enterprise trading

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Construction income	14,402	-
	<u>14,402</u>	<u>-</u>

4 Income from investments

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Profit share from Pharo Management UK LLP	20,014,586	8,630,375
Bank interest	13,206	73,222
	<u>20,027,792</u>	<u>8,703,597</u>

5 Expenditure on Social Ventures Trading

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Expenses incurred by Social Ventures Group of companies	133,293	26,751
Operational costs from the Social Ventures Group of companies	1,776,022	124,824
Governance costs	48,972	2,435
	<u>1,958,287</u>	<u>154,010</u>

Notes to the financial statements

31 December 2021

6 Expenditure on charitable activities

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Grants	1,064,147	998,967
Integrated Livelihood Programme	7,611,524	5,465,253
Support costs of grantmaking and programme activities	619,607	432,178
	<u>9,295,278</u>	<u>6,896,398</u>

	Activities undertaken directly 2021 US\$	Grant funding of activities 2021 US\$	Support costs 2021 US\$	Amount 2021 US\$
Analysis of activities	US\$	US\$	US\$	US\$
Agriculture	643,641	-	45,968	689,609
Education	6,289,801	289,147	469,862	7,048,810
Health	364,392	775,000	81,374	1,220,766
Water & Sanitation	313,690	-	22,403	336,093
	<u>7,611,524</u>	<u>1,064,147</u>	<u>619,607</u>	<u>9,295,278</u>

	Activities undertaken directly 2020 US\$	Grant funding of activities 2020 US\$	Support costs 2020 US\$	Amount 2020 US\$
Analysis of activities	US\$	US\$	US\$	US\$
Agriculture	448,677	-	29,997	478,674
Education	4,971,017	273,967	350,664	5,595,648
Health	3,854	725,000	48,729	777,583
Water & Sanitation	41,705	-	2,788	44,493
	<u>5,465,253</u>	<u>998,967</u>	<u>432,178</u>	<u>6,896,398</u>

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

	1 Jan 2021 to 31 Dec 2021 US\$	1 Jan 2020 to 31 Dec 2020 US\$
Analysis of support costs	US\$	US\$
Communications & IT	24,019	14,609
Finance costs	423	366
General management	81,882	23,168
Office and premises	88,542	83,578
Staff costs	343,071	246,720
Governance costs	81,670	63,737
	<u>619,607</u>	<u>432,178</u>

Notes to the financial statements

31 December 2021

7 Gains / (Losses) on investment assets

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Investment gains / (losses)	360,644	(1,953,219)
	<u>360,644</u>	<u>(1,953,219)</u>

The Foundation incurred a gain on investment because of revaluation of share price on invested entities. Further details on the basis of valuation for these investments are included at note 11. The motivation for holding these investments is in part a contribution to the charity's aims. The trustees' assessment of these holdings against their overall investment objectives is detailed within the trustees report.

8 Net movement in funds

This is stated after charging:

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Staff costs (note 9)	4,059,744	2,954,636
Parent company auditor's remuneration		
- statutory audit services	26,220	22,444
- other services	-	3,690
Other companies auditor's remuneration		
- statutory audit services	24,454	8,926
- other services	12,645	5,484
Depreciation	446,674	211,552
Impairment of fixed assets	375,749	-
Operating lease rentals	59,356	73,985

9 Staff costs, key management personnel and trustee's remuneration

	Group 1 Jan 2021 to 31 Dec 2021 US\$	Group 1 Jan 2020 to 31 Dec 2020 US\$
Employees		
- wages and salaries	3,867,760	2,826,171
- social security costs	21,640	14,773
- employer pension contributions	170,344	113,692
	<u>4,059,744</u>	<u>2,954,636</u>

The average number of employees during the period totalled 377 persons (2020: 265 persons). This is analysed as follows:

Notes to the financial statements

31 December 2021

	Group 1 Jan 2021 to 31 Dec 2021 No.	Group 1 Jan 2020 to 31 Dec 2020 No.
Number of support staff	3	3
Number of programme staff	345	258
Number of social ventures staff	29	4
	377	265

	Group 1 Jan 2021 to 31 Dec 2021 No.	Group 1 Jan 2020 to 31 Dec 2020 No.
Employees with emoluments between £60,001 to £70,000 per annum	2	-
Employees with emoluments between £80,001 to £90,000 per annum	-	1
Employees with emoluments between £160,001 to £170,000 per annum	2	1
Employees with emoluments between £110,001 to £120,000 per annum	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	5

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

The total remuneration of the key management personnel was US\$ 141,637 (2020: US\$ 321,314) due to a delay in the replacement hiring of some key staff. The CEO of the charity is on an unpaid basis.

No Trustees received any remuneration or reimbursement of expenses in their capacity as trustees. No Trustee incurred travel expenses during the year (2020: US\$ 23,318 for three Trustees).

10 Tangible assets

Tangible fixed assets

Group	Furniture and fittings US\$	Plant and Machinery US\$	IT equipment US\$	Motor Vehicles US\$	Building US\$	Leasehold Improvements US\$	Land US\$	Work in progress US\$	Total US\$
Cost									
At 1 January 2021	124,565	-	92,225	505,333	2,189,538	102,238	-	638,761	3,652,660
Additions	330,814	299,778	91,735	1,019,499	120,501	-	198,824	1,152,051	3,213,202
Transfers	-	-	-	-	583,309	-	-	(583,309)	-
Impairment	-	-	-	-	-	-	-	(375,749)	(375,749)
FX on exchange rate	(22,378)	-	(10,476)	(16,503)	(491,419)	(20,581)	-	(33,565)	(594,922)
At 31 December 2021	433,001	299,778	173,484	1,508,329	2,401,929	81,657	198,824	798,189	5,895,191
Depreciation									
At 1 January 2021	37,954	-	21,233	177,300	62,206	8,891	-	-	307,584
Charge for the period	77,938	20,247	41,739	187,937	100,492	18,321	-	-	446,674
FX on exchange rate	(14,108)	-	(5,979)	(33,442)	(24,541)	(3,780)	-	-	(81,850)
At 31 December 2021	101,784	20,247	56,993	331,795	138,157	23,432	-	-	672,407
Net book value									
At 31 December 2021	331,217	279,531	116,491	1,176,534	2,263,772	58,225	198,824	798,189	5,222,784
At 31 December 2020	86,611	-	70,992	328,033	2,127,332	93,347	-	638,761	3,345,076

Notes to the financial statements

31 December 2021

Foundation	Furniture and fittings US\$	IT equipment US\$	Motor Vehicles US\$	Building US\$	Land US\$	Work in progress US\$	Total US\$
Cost							
At 1 January 2021	118,306	83,623	416,920	2,057,151	-	444,719	3,120,719
Additions	200,621	56,533	100,951	-	61,314	931,268	1,350,687
Transfers	-	-	-	583,309	-	(583,309)	-
FX on exchange rate	(21,119)	(9,674)	1,293	(464,769)	-	(73,036)	(567,305)
At 31 December 2021	297,808	130,482	519,164	2,175,691	61,314	719,642	3,904,101
Depreciation							
At 1 January 2021	36,390	19,198	168,504	60,000	-	-	284,092
Charge for the period	58,542	34,150	98,251	89,615	-	-	280,558
FX on exchange rate	(12,458)	(5,340)	(26,905)	(23,129)	-	-	(67,832)
At 31 December 2021	82,474	48,008	239,850	126,486	-	-	496,818
Net book value							
At 31 December 2021	215,334	82,474	279,314	2,049,205	61,314	719,642	3,407,283
At 31 December 2020	81,916	64,425	248,416	1,997,151	-	444,719	2,836,627

The transfers relate to Homosha boarding school staff residence blocks which was fully completed and handed over in September 2021. Impairment recognised relates to idle infrastructural developments that were done on the farm in Ethiopia.

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.

11 Investments

	Group 2021 US\$	Group 2020 US\$	Foundation 2021 US\$	Foundation 2020 US\$
Unlisted investments	1,804,766	1,444,122	1,803,221	1,442,576
Investment in subsidiary company	-	-	2,254,484	534,299
	1,804,766	1,444,122	4,057,705	1,976,875

Notes to the financial statements

31 December 2021

Analysis of movement in investments

	Group 2021 US\$	Group 2020 US\$	Foundation 2021 US\$	Foundation 2020 US\$
Market value at 01 January 2021	1,444,122	3,247,341	1,976,875	3,245,799
Additions	-	150,000	3,055,385	684,295
Impairment in subsidiary investment	-	-	(1,335,199)	-
Net (loss) on investment asset	360,644	(1,953,219)	360,644	(1,953,219)
Market value at 31 December 2021	1,804,766	1,444,122	4,057,705	1,976,875

Analysis of historical costs

	Group 2021 US\$	Group 2020 US\$	Foundation 2021 US\$	Foundation 2020 US\$
Unlisted investments	5,151,542	5,151,542	5,151,542	5,151,542
Investment in subsidiary company	-	-	3,589,681	534,296
	5,151,542	5,151,542	8,741,223	5,685,839

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.

During the prior year, the Foundation had invested in Lynk 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 US\$ 150,000 investment to US\$ 1.

During the year, the Trustees' deemed it appropriate to revalue the New Forests Company Holdings Limited investment from US\$ 1,444,122 to US\$ 1,804,766 to reflect the current market value due to stability gained after the impact of the Covid-19 pandemic on the global markets.

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 - 100%	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 - 100%	Company limited by shares (England)	Company number 12211206	PEL is a holding company whose principal activity is to establish Social Enterprises in East Africa.

Notes to the financial statements
31 December 2021

		& Wales)		
Pharo Ventures Somaliland Limited ('PVSL')	Pharo Ventures Kenya Limited – 100%	Company limited by shares (Somaliland)	Company number 18120	The primary principle activity is to serve as a holding company for social enterprises with overall goal of creating jobs, ensuring positive social impact and generating profits for long-term sustainability of both subsidiaries and the company
Pharo Construction Somaliland LTD (PCSL)	Pharo Ventures Somaliland Limited – 99.9%	Company limited by shares (Somaliland)	Company number 1281	The principal activity of the company is that of direct involvement in rendering all types of contractual activities in construction including building and rehabilitation, design, surveying, as well as road, airports, wells and dam construction. The company is also involved in hiring construction machinery, concrete and equipment.
Pharo Real Estate Somaliland	Pharo Ventures Somaliland Limited - 100%	Company limited by shares (Somaliland)	Company number 1759	The Real Estate principle activity is provision of real estate services. It is an income-generating entity of Pharo Ventures Somaliland Limited
Pharo Farm LTD Somaliland (PFSL)	Pharo Ventures Somaliland Limited - 100%	Company limited by shares (Somaliland)	Company number 1758	The Farm is an income-generating part of Pharo Ventures Somaliland Ventures.
Pharo Integrated Agriculture & Manufacturing PLC Ethiopia (PVET)	Pharo Ventures Kenya Limited - 99.9%	Company limited by shares (Ethiopia)	Registered number 0073029357	The principle activity is engaging in manufacturing of edible oil, farming and agro-processing of oil seeds, wholesale of own products with the objective of generating profits.
The Pharo Foundation Farm ('FARM')	The Pharo Foundation - 100%	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 - 100%	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

Notes to the financial statements
31 December 2021

				local communities.
The Pharo Foundation Rwanda Ltd ('PFRW')	The Pharo Foundation - 100%	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 Ventures Rwanda Ltd ('PVRWL')	Pharo Ventures Kenya Limited - 100%	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.

A summary of the results of the above subsidiaries for the year ended 31 December 2021 is as follows:

	2021 PDIL \$	2021 PEL \$	2021 PVSL \$	2021 PCL \$	2021 RESL \$	2021 FARM SL \$	2021 PIAM ET \$	2021 FARM ET \$	2021 PVKL \$	2021 PVRWL \$
Income	20,011,801	-	-	405,542	-	-	-	506	1,268,111	-
Administrative expenditure	(2,669)	(2,604)	(134,540)	(679,669)	-	-	(142,013)	(782,665)	(1,238,727)	-
Operating surplus (deficit)	20,009,132	(2,604)	(134,540)	(274,127)	-	-	(142,013)	(782,159)	29,384	-
Distributions under gift aid	(20,005,801)	-	-	-	-	-	-	-	-	-
Net result	3,331	(2,604)	(134,540)	(274,127)	-	-	(142,013)	(782,159)	29,384	-
Other gains (losses)	(4)	(27)	8	52	-	-	27,748	21,555	7,973	-
Taxation	-	-	-	-	-	-	-	-	(26,633)	-
Net surplus / (deficit)	3,327	(2,631)	(134,532)	(274,075)	-	-	(114,266)	(760,604)	10,724	-
Retained funds at 1 January 2021	(357)	(2,182)	-	-	-	-	-	(144,523)	38,903	-
FX on exchange rate	-	-	-	-	-	-	-	29,502	(1,216)	-
Retained funds at 31 December 2021	2,970	(4,813)	(134,532)	(274,075)	-	-	(114,266)	(875,625)	48,411	-
Called up share capital										
At 31 December 2021	2	2,254,481	2,000,000	1,800,510	1,000	1,000	216,955	1,335,300	2,236,903	1,000

Notes to the financial statements

31 December 2021

	2020 PDIL \$	2020 PEL \$	2020 FARM \$	2020 PVKL \$	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

12 Debtors

	Group 2021 US\$	Group 2020 US\$	Foundation 2021 US\$	Foundation 2020 US\$
Accounts Receivable	18,413	127,134	18,413	127,136
Prepayments	754,748	416,061	581,347	228,241
Construction advance	-	35,783	-	35,783
Sundry debtors	81,374	70,639	54,040	53,826
Amounts due from subsidiary undertaking	-	60,407	606	304,877
	854,535	710,024	654,406	749,863

Sundry debtors include rent deposits of US\$ 40,285 (2020 – US\$ 38,410). The rent deposit is subject to a charge against all sums due and all The Pharo Foundation's obligations under property leases.

13 Creditors: amounts falling due within one year

	Group 2021 US\$	Group 2020 US\$	Foundation 2021 US\$	Foundation 2020 US\$
Provision for corporation tax in subsidiary entity	-	15,543	-	-
Accruals	306,656	128,903	364,621	120,652
Trade and other payables	558,771	473,880	470,037	431,987
	865,427	618,326	834,658	552,639

14 Designated funds

Group	At 1 Jan 2021 US\$	Net new commitments/ Investment US\$	Granted / (Gained / Impaired / Utilised) US\$	At 31 Dec 2021 US\$
Grants payable	1,120,165	107,781	(1,064,147)	163,799
Impact investments	1,442,578	-	360,644	1,803,222
Investments	1,544	-	-	1,544
Tangible fixed assets	3,345,076	2,618,280	(740,572)	5,222,784
	5,909,363	2,726,061	(1,444,075)	7,191,349

Notes to the financial statements

31 December 2021

Foundation	At 1 Jan 2021 US\$	Net new commitments/ Investment US\$	Granted / (Gained / Impaired) US\$	At 31 Dec 2021 US\$
Grants payable	1,120,165	107,781	(1,064,147)	163,799
Impact investments	1,442,578	-	360,644	1,803,222
Investments	534,296	3,055,385	(1,335,199)	2,254,482
Tangible fixed assets	2,836,627	783,382	(212,725)	3,407,284
	<u>5,933,666</u>	<u>3,946,548</u>	<u>(2,251,427)</u>	<u>7,628,787</u>

The income funds of the Group and the 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.

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.

15 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 branches registered in Ethiopia and Somaliland are non-profit making, non-government organisations. 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 applicable for the year 2021 was 30% as per the Tax Laws (Amendment) Act 2020. As a result, the tax charge for the year was US\$ 26,633 (2020 US\$ 15,919).

Pharo Ventures Somaliland is a subsidiary of Pharo Ventures Kenya Limited and Pharo Construction Limited is a subsidiary of Pharo Ventures Somaliland and are regulated under the Tax Laws of Somaliland. The statutory tax rate applicable is 12.3% of business profit. No tax charge was reported during the year as both companies reported losses.

Notes to the financial statements

31 December 2021

Pharo Integrated Agriculture & Manufacturing PLC is a subsidiary of Pharo Ventures Kenya Limited and is regulated under the Tax Laws of Ethiopia. The statutory tax rate applicable is 30% as per Proclamation No. 979/2016. No tax charge was reported during the year as the company reported losses.

16 Related party transactions

The Pharo Foundation is funded by a proportion of profits realised by Pharo Management (UK) LLP, US\$ 20M (2020 US\$ 8.6M), where Mr Guillaume Fonkenell is a Managing Member. During the year, a trustee procured a piece of land in Somaliland valued at \$ 3.6 million with the intention of leasing out the land to the Foundation free of charge. The Foundation assisted the trustee by facilitating this purchase. No amounts were owed to or from the trustee as at 31 December 2021 and the lease is expected to be entered into in 2022.

17 Analysis of net assets between funds

Group	General funds US\$	Designated funds US\$	Total 2021 US\$
Tangible fixed assets		5,222,784	5,222,784
Investments	-	1,804,766	1,804,766
Net current assets	16,982,818	163,799	17,146,617
	<u>16,982,818</u>	<u>7,191,349</u>	<u>24,174,167</u>

Foundation	General funds US\$	Designated funds US\$	Total 2021 US\$
Tangible fixed assets	-	3,407,283	3,407,283
Investments	-	4,057,705	4,057,705
Net current assets	16,529,613	163,799	16,693,412
	<u>16,529,613</u>	<u>7,628,787</u>	<u>24,158,400</u>

18 Financial commitments

At 31 December 2021, The Pharo Foundation had the following future minimum commitments under non-cancellable operating leases on land and buildings:

	2021 US\$	2020 US\$
Land & Buildings		
. Less than one year	106,126	55,489
. Between two to five years	401,869	-
	<u>507,995</u>	<u>55,489</u>

The Pharo Foundation's commitments to fund projects where recipients have yet to meet all conditions for receipt are shown in note 14.

Notes to the financial statements

31 December 2021

19 Post balance sheet event

Subsequent to the year-end, the Trustees decided to bring the Pharo Farm Ethiopia to closure due to challenges experienced in operating this farm. The factors that resulted in the closure surrounded poor weather patterns, soil and topography and infrastructural development challenges due to the location of this farm. Therefore, it was resolved to close the business by 30 September 2022.