



**Pharo
Foundation**

ANNUAL REPORT



COMPANY LIMITED BY GUARANTEE
REGISTRATION NUMBER 07678862 - (ENGLAND AND WALES)
CHARITY REGISTRATION NUMBER 1143152

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REFERENCE AND ADMINISTRATIVE INFORMATION

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

A stylized sun graphic is positioned on the left side of the page. It features a large, semi-transparent blue circle as the sun's disk, with numerous light blue rays radiating outwards to the left edge of the frame. The rays vary in length and angle, creating a sense of movement and light. The background is a solid, deep blue color.

**PHARO
FOUNDATION AT
A GLANCE**

OUR IDENTITY

Who We Are

At Pharo Foundation¹, we dream big. We believe that dreams are the first embodiment of great achievements. Much like JFK's 1962 inspirational speech set the United States on a course to send astronauts to the moon by 1968, we too galvanize innovative development thinking towards the achievement of ambitious development milestones, across five pillars of development: education, water, agriculture, health and social ventures.



Our Vision

An inclusive and economically vibrant Africa.



Our Mission

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

How we deliver our Vision

Under each pillar, our projects are designed and implemented in a way that makes them:

Impactful

In the words of economics Nobel Prize winner Esther Duflo, 'you can take the guesswork out of policy-making by knowing what works, what doesn't work and why'. In choosing development projects, we first conduct a thorough investigation of the literature on evidence around competing solutions to the development problems which we tackle. We then examine the specific solutions that are available in specific country contexts and other things being equal, we select the solution with the highest F-factor above 1, i.e. the solution with the highest impact. Once we settle on a project, our Research & Evaluation team measures the effectiveness of project implementation and feeds it back into our project design and the research community's knowledge pool.

Systemic

A key objective of our work is to create systemic change at a society-wide level, building on the infrastructure such as schools or dams, which we have accumulated over 11 years of operation. Such systemic change requires scale through cooperation with multiple development partners, from local communities to governments, who are involved in the many facets of the development problems we tackle.

Sustainable

The ideal development intervention is a pure catalyst whose result becomes self-sustaining. In this perspective, in 2019 Pharo Foundation added a commercial arm to its non-profit activities, which became its fifth pillar. The resulting for-profit social enterprises called Pharo Ventures add a sustainability dimension to the Foundation in three different ways. They open a path towards a self-reliant East Africa through job creation, skill upgrading and value added. In addition, the mechanism through which the products are manufactured is socially and environmentally sustainable.

SOME OF OUR PROJECTS

01



EDUCATION

- Pharo School, Assosa
- Pharo Secondary School, Homosha
- BGRS Regional State Schools Renovation Programme, Ethiopia
- Early Childhood Education Programme, Somaliland
- Pharo Primary School, Hargeisa
- Pharo Kindergarten, Hargeisa
- Pharo Secondary School, Sheikh
- Pharo Technical and Vocational Education and Training Centre, Hargeisa

02



WATER

- BGRS Integrated Livelihood Programme, Water Project, Ethiopia
- Assosa Town Water Supply, Ethiopia
- Assosa Hospital Water Supply, Ethiopia
- Water Programme, Somaliland

03



HEALTH

- Pharo Diagnostic Centre, Assosa
- Assosa General Hospital Intensive Care Unit, Ethiopia

04



AGRICULTURE

- Somaliland Agricultural Production Enhancement Programme
- BGRS Agricultural Development Programme, Ethiopia

OUR TIMELINE

Pharo Foundation's 11 year-history involves two phases:

2011-2016

The age of grant-giving

- Early grantmaking efforts helped us learn how we could make an impact.
- Early grantees: African Education Trust, Windle Trust International, etc.



2016 - Present

The age of own project design and the 5-pillar strategy

- Pharo Foundation launches 4-pillar strategy, soon to be 5-pillar strategy from 2019. It kick-starts integrated programmes in education, water, agriculture and health with a strong focus on job creation, which would soon materialise through the fifth pillar of Pharo Ventures



01

The age of grant-giving

From 2011 to 2016, we started as a grant-making organization, with projects chosen on the basis of the personal inclinations and passions of our founders. Early partnerships through grant-giving helped us learn how to 'do development' through cooperation with grantees, who shared an in-depth knowledge of their field with us.

We partnered with Amraf East Africa, Action Aid, African Education Trust, Somaliland Nursing and Midwifery Association, Windle Trust International, Medical Aid Films and VSO, amongst many. Part of our current expertise relates back to the knowledge built through these early partnerships. In education, African Education Trust and Windle Trust partnerships were of particular significance.

With African Education Trust, besides funding the education of girls in Somaliland, Puntland and Somalia, we were the first to lead and organise the automation of data on leaving certificate results at a national level in South Sudan. With Windle Trust International, we placed 50 African refugees over four rounds at UK universities with full scholarships for postgraduate study. In health, our partnership with Medical Aid Films also stands out. They made short films on key medical operations and procedures, which local doctors and midwives could download on their smart phones and which were dubbed in the local language, thereby providing state-of-the-art medical training to health practitioners without access.

02

The age of own project design and the emergence of the 5 pillar-strategy

After 5 years of learning through grant-giving and some frustrations with our lack of control over implementation, in 2016 we decided to design and implement our own projects in order to control the agenda, and improve efficiency/accountability. Learning-by-doing and depth of intervention became two key characteristics of our approach through this phase of our growth.

We started out in education, based on its virtues as an asset that can never be taken away from an individual and whose returns are life-long. Location-wise, we started looking for the most rural and poor locations, lacking in access to quality education, and settled for Benishangul-Gumuz and the Somali Regional State in the West of Ethiopia. Following these choices, we started to build on the dream of our first state-of-the-art boarding school in Homosha, Benishangul. We also decided to operate through two channels: 1)our own Pharo Kindergartens and Schools; 2)public private partnerships with government ministries to improve the provision of public services in public schools.

Our involvement in the Somaliland education sector illustrates our learning-by-doing approach. We realised that public schools did not provide Kindergartens and as early as 2015, we started an Early Childhood Education (ECE) programme in seven pilot public schools in Hargeisa. We first ran our ECE programmes ourselves and from 2017, we became instrumental in the creation of a national ECE curriculum in conjunction with the Ministry of Education. When we realised that the children leaving our ECEs lost their advantage when they started at public primary schools, we decided to open our own primary schools and soon our own secondary schools. Finally, when we realised that the children going to our schools reached a point of decreasing returns to education due to the lack of education of their mothers, we started an adult literacy programme and a vocational training centre. This same learning-by-doing logic has applied across all pillars.

Around 2017, we started thinking about having 4 pillars of operation, namely education, health, water and agriculture, with projects largely chosen on

the basis of their social return on investment. That vision solidified in 2018, though the health pillar only emerged in 2019-20 with an initial focus on increasing access to public intensive care services. In Ethiopia, we designed a four-year Socio-Economic Empowerment Programme (SEEP) around our four pillars, which emphasised depth of impact over breadth. Some of its major outputs are the Pharo Diagnostic Centre, the Agricultural Training Centre, the vocational training centre, two Pharo ECE Centres in Assosa, the Pharo Assosa primary school, the upgrading of 11 public schools and expansion of Assosa's Water Supply.

By the time COVID hit, we had accumulated substantial fixed assets in our four pillars. In 2019, we created the fifth pillar of Pharo Ventures to embody our concern with sustainability through the transformation of the local private sector. This allowed us to clarify our mission as investing in Africa's human and physical capital, with a strong focus on job creation. We had set the values of respect, creativity, entrepreneurship, trust and accountability, that still guide our development ecosystems, which are deeply rooted in the community.



Guillaume Fonkenell, founder of Pharo Foundation, inspecting the new office Construction in Assosa, BGRS, 2022.

KEY RESULTS IN NUMBERS

Reached the milestone of more than

500
employees

First expansion of Somaliland Early Childhood Development (ECD) programme outside Hargeisa, reaching a total of

18 ECDs
and more than 1,000 children.

182

Somaliland mothers enrolled in ECD 6-month literacy and numeracy and

22 in follow-up practical skills training.

First graduation of

50
students from the Somaliland Pharo Vocational Training programme

Top school results in Ethiopian

grade 8
and leaving exam results in the region of Benishangul.

Rehabilitation and construction of

3 Somaliland dams
serving up to **2,500** households and their livestock.

Completion of Assosa town and hospital water upgrading, leading to **24hr supply** of water.

2,897

patients diagnosed by the Pharo Diagnostic Centre in the second half of 2022.

55 direct jobs

created by Pharo Ventures Somaliland, 9 by Ethiopia .



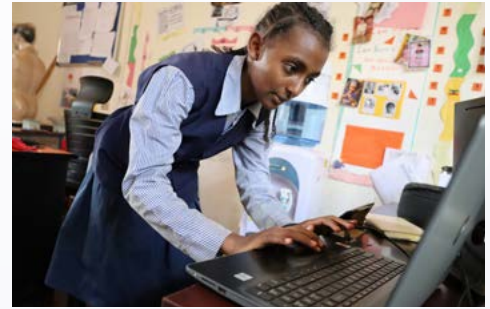
**PILLARS OF
WORK**

Education

Pharo Foundation's journey started out in education, because of its virtues as the one critical asset that can never be taken away from an individual. There are three aspects of education which are important to us.

First, education is not merely something that stays in the classroom; we view it as the fundamental driver of an individual's opportunity path and as a lifelong process, from early childhood to midlife's multiple career reincarnations. Hence our activities span the range from early learning to vocational training and mothers' literacy. In the language of Nobel Prize winner Amartya Sen, education is about expanding an individual's capabilities, and ultimately their range of life choices. In that perspective, the Foundation kick starts an individual's education journey and then supports their opportunity transitions. Second, our approach seeks to develop the whole individual, not only empowering students with a high-quality learning experience from an academic point of view, but also equipping them with different sources of knowledge and skills that enable them to become global productive citizens. Third, for us, education is a mission which necessitates the ongoing support of key members of society, as education and work are ultimately social processes, which is why we are deeply rooted in our communities.

While the 2023 opening of Pharo Foundation's Kenya and Rwanda primary schools will begin a new chapter in our education activities, one of our biggest impacts in this field so far has been our contribution to the development of early learning education in Somaliland, both through the creation of our own Early Childhood Development (ECD) Centres and through our input into the previously non-existent national curriculum. This year for the first time, we expanded our Somaliland ECD programme beyond the confines of the capital, Hargeisa (where we have 15 ECDs), with the opening of three ECDs



Hellen Tekalign, Pharo Assosa, grade seven student at the 2023 regional technology and innovation competition.



Students from Pharo Kindergarten, Somaliland.

in the city of Berbera. Replication in a different environment is always both a time for celebration because it implies a programme has been successful, but also a test of the resilience of a programme. In this case, the replication was critical both from an operational point of view and as a fresh starting point for impact evaluation of our ECD programme. Indeed, the new ECDs have given the Foundation an opportunity to start a randomised controlled trial evaluation in October on the impact of ECDs on health outcomes, on their impact on mothers' work activities, and on which children benefit the most from ECDs. This kind of assessment is path-breaking in the Somaliland education context.



Mohamed Muse Elmi [far left] and Muna Juma [far right] Pharo Foundation Country Representative, Somaliland, present a scholarship to one of the 2022 recipients at the Pharo Foundation Scholarship award ceremony in Somaliland.

One of the reasons for the significant added value of the ECD programme is that it is not purely focused on the child but on their environment as well. Hence our mothers' 6-month literacy and numeracy programme is also a key component of our vision for ECD, and this year we were proud to see 182 mothers enrolled in the programme and 22 of them choosing to follow this up with a practical skills training in sewing. Given the above, the Somaliland 2023-2027 National Development Plan mentions the Foundation's ECD programme on numerous pages.

Similarly, our capacity for systemic thinking above and beyond the classroom is evident in our vocational training programme in Somaliland, which saw 25 students graduate in Painting and Decorating and another 25 in Solar and Electrical Installation – the new cohort is now composed of 75 students in each group plus another 75 taking up a new course in plumbing. Not only do we organise for each student to have an internship upon completion, to ensure that the educational opportunities we have given them turn into an increased likelihood of employment, but we are also committed to using the programme as a trigger of social change. In particular, this year there were three female graduates in the Solar and Electrical Installation course who were then offered internship opportunities and then started freelancing – in a country where Solar and Electrical Installation is not a standard course for women. We are committed to changing perceptions one day

at a time by leading through example and are keen to partner with other like-minded organisations which also pursue such systemic change. By doing this we hope to implement change at scale, beyond the confines of our classrooms.

Finally, our sense of purpose is increasingly heightened by the academic excellence displayed by our pupils. Whether we look at primary or secondary school results, our schools' pupils are performing at the top of their regions. Out of the 135 students who passed the Ethiopian national grade 12 exam in the Benishangul Gumuz Region just 29 were girls and 10 of these girls were from our secondary boarding school in Homosha. In October, the school graduated 25 inaugural class students, with each student planning to enrol in college and pursue different courses such as aviation, law, medicine, or pharmacology. Meanwhile, Pharo School Assosa, our Ethiopian primary school, topped the grade 8 results in the same region, with 21 students (15 girls and 6 boys) passing the regional exam. The top 3 students in the region, all girls from Pharo School Assosa scored 94%, 91% and 90% respectively. The school also upgraded to secondary school level in 2022, enrolling a total of 447 students from grades 1 to 9, with most of the primary boys continuing their grade 9 studies at the school, while girls will likely go to Pharo School Homosha. While approving its expansion, the regional education acknowledged that the school is indeed a centre of excellence and that other schools in the region can learn from its quality teaching and



Temesgen Zelalem, Social Studies Teacher in class. Assosa Primary School. Ethiopia

learning practices. With its 19 highly qualified teachers and 9 administrative staff, its students continue to achieve top levels in Science, Technology, Engineering, Maths (STEM) and English. In June 2022, a grade 5 student from the school won a STEM competition where 242 primary and 20 secondary schools in the Assosa zone and city participated. These performances have supported us in refining our offering as an education provider even further, and teasing out the key ingredients of our success and that of our pupils. It has encouraged us to define a Pharo Hallmark of education and identify our key characteristics in shaping graduates who lead local and global economic and social change through the encouragement of a high-quality learning experience, as well as lifelong learning and productive global citizenship.

Instilling these values in our students has led to us seeing more students from Pharo Schools going onto university and an appetite from students to study abroad. In support of this the Foundation has begun providing scholarships to some of its school's

brightest students to aid in funding studies at leading schools abroad. By the end of 2022, three of the brightest pupils from Pharo Secondary School Sheikh were awarded university scholarships to leading schools in Malaysia and Canada. The first student the Foundation gave a scholarship to study abroad is now studying sustainable design engineering at the University of Prince Edward Island, in Canada, and has a clear ambition to return to Somaliland upon completion of her degree and put the skills she has learned into action and give back to the society she grew up in. This shows the value this adds to both the individual student but also the community they come back to. Our hope is the students we provide scholarships to act as trailblazers for African students studying abroad and act as role models and highly valuable members of the work force when they return to their home countries.

Water

In water, we decided to focus on the provision of large water reservoirs with plastic geomembranes, which now leaves us in the enviable position of having significant fixed assets as a strong starting point to deliver systemic change in access to water. Indeed, this year saw us significantly ramp up our financing of the water pillar.

The choices of locations for our water projects are based on several factors. These include water scarcity in a region (i.e. the lack of rainwater), the population size and the average distances people are travelling to fetch water during the dry season. Community contribution is also a significant factor in deciding the location of these large-scale water projects as the dam and berked locations are often donated by individual members of the community. Pharo Foundation is then able to officially notarise the spaces as public property with local government coordination.

While we have some rural water well rehabilitation projects in Menge and Undulu, our recent focus in our Ethiopian projects this year has been on the urban context, especially in Assosa town, where we built 3 deep wells and the necessary generators and water pumps to increase water coverage in the city by 8%. In Assosa, our other flagship project has been the upgrading of water infrastructure at Assosa Hospital. Through our intervention, the latter has gone from a situation where water trucks delivered water twice a week to 24-hr uninterrupted water supply. The implications for the prevention of infection diseases, food preparation and hygiene cannot be overestimated.



Community members using the rehabilitated Illinta Hafir Dam in Somaliland.



An ariel view of the Illinta Hafir Dam after the rains.



Community members using the Illinta Hafir Dam.

In Somaliland, the emphasis has been primarily rural, although we are also currently working on a subsurface dam which will increase water supply around Hargeisa. Following recent rains, the benefits of the Foundation's three most recent rural water projects in Somaliland are more visible than ever.

The Somaliland team completed the Taysa berked in the Gabiley region in December 2022 and following the start of the rainy season in 2023 this quickly reached its full capacity of 1,260 cubic metres of water – serving almost 300 households. However, this is just the start of their success...

The Ijaara dam (Gabiley region) and the Wado-Makahiil dam (Maroodi-Jeex region) are much larger projects and having both started in November 2022 they are estimated to be complete by mid-late June 2023. The two dams will have water capacities of 60,000 cubic meters each once complete, both also potentially having capacity to serve people from neighbouring communities that might travel to them.

The Foundation's hope is that all these water projects will have significant medium and long-term impacts on the regions they have been built in. We also aspire to building the beginnings of a sustainable medium-term model for solving the water problem in Africa. Yet the Foundation's ability to scale up its efforts also depends on other systemic interventions, and on reaching beyond the management of its outstanding fixed asset network in a missions-based perspective. One instrument it could use for this purpose is the creation of a novel metric of water scarcity, which would create demand for its water solutions. Indeed, by creating a measurement tool, it could become a reference that other institutions come back to. Measurement means data and data is power, especially in our current AI-driven society. Based on such data, Pharo Foundation would be able to then convene high-level dialogues to improve water policy and attract partners.

Health

In healthcare, we have focused our interventions in areas where we perceived a real infrastructure and market gap, and this has resulted in us adding to diagnostic capabilities in one of the most remote areas of Ethiopia, namely Benishangul Gumuz.

In June 2022, we opened the Pharo Diagnostic Centre (PDC) in Assosa, Ethiopia, the only advanced diagnostic centre of its kind in Benishangul-Gumuz. It offers a range of diagnostic tests and has welcomed 5,318 people since opening, with an accelerating trajectory which saw an all-time high in patients in November at 537. One of the trends which is growing in the region is the silent epidemic of non-communicable diseases (NCD). While our PDC data does not allow us to quantify the scale of NCD diagnosis per se, we are picking up on a remarkable spread of symptoms associated with NCDs. For instance, of the 587 blood glucose tests we have performed to date, 40% showed raised blood glucose levels, which are correlated with diabetes. In the battle against NCDs, solving the diagnosis gap is only the first step. We want to play a catalytic role beyond the provision of diagnosis itself, going into the generation of data which can motivate investments by other institutions, triggering behaviour changes and recalibrating policy. This will likely be a focal point in our health mission for the next five years.



Abiy Nigusse, Pharo Diagnostic Centre Laboratory technologist at the Diagnostic Centre.



Nicolas Sagna and Guillaume Fonkenell, board members of Pharo Foundation, visit the Pharo Diagnostic Centre in Assosa, Ethiopia.



Elsbet Berhe and Alemnesh Ensermu at the PDC Reception.

Agriculture

Expert knowledge and access to key farm inputs are often the missing link in agricultural development and this is the gap we have focused on this year.

In response, Pharo Foundation has adopted the so-called Farmer Field School approach to agricultural development both in Somaliland and Ethiopia, by establishing demonstration farms in agricultural communities. This empowers farmers through rigorous training sessions and provision of key farm inputs, like quality cash crops, pesticides and pesticide protection equipment. In Somaliland for instance, two demonstration farms were selected to train a total of 120 farmers that were previously registered and verified - 20% of whom are women. The farmers receive a total of 11 training sessions over a four-month period. This includes biopesticide and compost preparation and application methods, integrated pest management, good agricultural practices, cooperative marketing approaches, and product selling techniques at local markets. Experienced field officers spend three to four days at the demonstration farms to conduct the training sessions.



Mohamed Muse Elmi, Mukhtaar Abdillahi, Agriculture Development Manager alongside the Somaliland Agriculture team in Somaliland



Farah Jirdeh-Fonkenell, a Trustee of Pharo Foundation, visited one of the agriculture projects in Ethiopia 2022.



Agriculture graduation ceremony, Somaliland.

Pharo Ventures

Our vision for Pharo Ventures has always been to nurture home-grown enterprises with a social purpose and the potential to create a large number of jobs.

We have followed through with this vision. Our first main business in Somaliland is Pharo Construction Ltd (PCL), thriving and changing the landscape of construction in Somaliland. Since its inception, PCL has hired 55 permanent employees and created many indirect jobs. This has been hugely beneficial to the area in both boosting employment and leaving behind critical infrastructure. Work has included school projects and residential housing projects. One of the biggest projects is that of Ijaara dam.

Ijaara dam is a fully integrated dam with geo membrane installation, an elevated reinforced concrete tank, animal water troughs, kiosks for drinking water, a concrete inlet and concrete spillway, a security room, a pump room, solar panels, a fence and sanitation facilities.



Aerial footage of the construction of Ijaara Hafir Dam (132mX92mX6m) with storage capacity 57,863.00 cubic meters. This dam is located in the South East region of Gabiley, Somaliland.

55 permanent employees hired by PCL

Ijaara dam has a storage capacity of

57,863m³

465 Households have access to clean water



Aerial footage of Illinta dam (75.5mX57mX4m) located in Gabiley, Somaliland. With storage capacity of 17,400.00 cubic meters that will provide clean and adequate water for 247 households through the year particularly during the dry season.



Pharo Construction team building a home located in Hargeisa, Somaliland: before and after

In the building of this dam, PCL has demonstrated its innovation by pioneering the methodology of ‘battered excavation’. Where space allows, battering the excavation sides to a safe angle of repose makes the excavation safer because the likelihood of a trench collapse is reduced. While competitors tended to dig dams down to 6 metres of depth, Pharo Ventures Somaliland only does so to a two-metre depth in Ijaara dam, which improves health and safety. When complete the dam will have a storage capacity of 57,863 cubic meters and provide access to clean water for 465 households. It is projects like this that are cementing PCL as a trusted and valuable business in the region.

RMC is also standing out from its competitors in recent months. Indeed, RMC stands out because of the high quality of its concrete despite its product remaining cheaper than the existing competition. Beyond providing much needed competition to an area keen to build and expand, RMC is also addressing community needs. Its flagship project, which is the refurbishment of the Waaheen market that experienced a major fire in 2022, will mean RMC can play a key role in reconstructing the economy and livelihoods which the market sustains.

In Ethiopia, Pharo Ventures continues its progress towards the start of production of its edible oil processing plant in November 2023.



Pharo Construction employee rebuilding the Waheen Market that was hit with massive fire on April 1st, 2022. The market is located in Hargeisa, Somaliland.



Aerial footage of the construction at the Wado-Makahiil dam, located in Maroodi-Jeex, Somaliland

KNOWLEDGE & LEARNING THROUGH PARTNERSHIPS

Finally, in line with our growth, we have become increasingly aware that achieving scale and systemic impact becomes much easier when combining capabilities with other key organisations in our pillars. In this perspective, we have started experimenting with partnerships.

West London Schools Partnership

This year, we have started a partnership between our Sheikh secondary School in Somaliland and the West London Schools Partnership, which includes London's prestigious St Paul's Boys School and Latymer Upper School. Girls from Sheikh are paired up with Latymer Upper School girls, while Sheikh boys are paired up with St Paul's boys. The boys communicate via the Colet mentoring app, an innovative education technology, which connects 11 Sheikh boys from years 9 and 10 with year 12 and year 10 mentors from St Paul's. Via the app, the Sheikh boys put forward some maths and science problems which they struggle with to their St Paul's peers, whose role is to guide them through the steps towards an answer. The app has stringent security mechanisms which rule out any inappropriate behaviour and it only allows for child to child communication. Meanwhile, Sheikh girls are conducting weekly conversation classes with Latymer girls. Other non-online, teaching partnership programmes with the West London School Partnership are under consideration.

UNESCO Water Centre at the University of Thessaloniki Partnership

Adding to East Africa's scarce resources is not enough; the real multiplier effect occurs when development organizations trigger a change in the management of these resources. This is what Pharo Foundation has set out to achieve. It has established a significant extent of water infrastructure in both Ethiopia and Somaliland, yet to take full advantage of this infrastructure, its water resources staff require training in the latest innovations in hydraulics, hydrology and hydraulic works design. The Foundation has set up a partnership with the UNESCO Centre for Integrated and Multidisciplinary Water Resources Management at the Aristotle University of Thessaloniki, involving a 100-hour online training programme of 17 water engineers from Pharo Foundation across Ethiopia and Somaliland. The programme was recorded and the Foundation has shared its content with community stakeholders for added multiplier effect.

The duo partnerships have given us an opportunity to test the waters of collaboration with external organisations without a loss of control of our internal agenda. We are ready to instigate a selection of new partnerships at a greater scale in the coming year, beyond education and training, into health, agriculture and water solutions.

KNOWLEDGE & LEARNING THROUGH SELF-EXAMINATION

Having reached a critical mass of more than 500 employees, we became increasingly aware of our critical need for a research and evaluation department, which ensures that only our most impactful and cost-effective programmes are extended and potentially replicated. This department was created in 2022 and has gone from strength to strength.

It has revolutionised our programme design process, including the way we present our programme proposals in terms of the assessment of a development problem and its alternative solutions, with a rigorous estimate of F-factors to social return on investment. Between June and September, the department launched data collection for three existing projects, namely the Agricultural Development Programme, the Assosa Water Supply Project and the Somaliland Agricultural Productivity Enhancement

Programme. It also started evaluation of a pilot project in October and again, this time on the Berbera ECE, with a view to experimentally measure in the context of a randomised controlled trial the impact of ECE on early childhood development and the extent to which ECE differentially impacts certain types of children. The evidence generated through evaluation then leads to an improved new project selection and design, so that the whole project life cycle becomes an optimised process from design to implementation.



Evening Debriefing Session for Randomised Control Trials in Berbera ECE Programme, October 2022



Data Collection for Randomised Control Trials in Berbera ECE Programme, October 2022

STRUCTURE, GOVERNANCE AND MANAGEMENT

1.1 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).

1.2 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 to the financial statements.

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.

Trustees of the Foundation are appointed as a trustee through an ordinary resolution. Trustees serve for three years and thereafter they have an opportunity to seek 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 2022 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.

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 Trustees, CEO of Pharo Foundation and CEO of Pharo Ventures Kenya. Others includes CFO and Mission Directors.

1.3 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.

Our Board of Trustees



Mr Matthieu Baumgartner



Mr Guillaume Fonkenell



Mrs Farah Jirdeh-Fonkenell



Mr Nicolas Sagna



Mr Mustafa Jama

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.

1.4 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 2022.

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.

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

- » The Foundation's 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.

1.5 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.

1.6 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.

1.7 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:

1.7.1 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.

1.7.2 Carbon Reporting Exemption

Pharo Foundation qualifies for a carbon reporting exemption under the Carbon Reporting (Amendment) Regulations 2018, as our energy consumption remained below 40,000 kWh during this period. We remain committed to environmental responsibility and will continue to implement sustainable practices to reduce our carbon footprint in line with our mission.

A stylized sun graphic is positioned on the left side of the page. It features a large, semi-transparent blue circle in the center, with numerous light blue rays extending outwards to the left edge. The rays are of varying lengths and are arranged in a fan-like pattern. The background of the entire page is a solid, dark blue color.

**FINANCIAL
REPORT**

FINANCIAL PERFORMANCE

2.1 Financial Position

The Pharo Foundation received a donation of US\$ 20,011,973 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 Foundation's total income amounted to US\$ 21,823,534. This income was sourced from donations and legacies, charitable activities, investments, and other trading operations. There was a 43% decline in donations and legacies, equating to a decrease of US\$ 43,445. Conversely, income from charitable activities increased by 55%, reaching an additional US\$ 273,001. This rise was attributed to the introduction of an extra school term compared to the prior year. Investment incomes saw a 1% growth, primarily from bank interest on deposits. Other trading incomes also increased, up by US\$ 678,605, largely driven by the Foundation's social ventures businesses.

Regarding expenditures, the Foundation reported a total of US\$ 14,930,856. This marked a 31% increase, reflecting the Foundation's expansion activities. Specifically, US\$ 2,866,254 was allocated to social ventures trading, up from the previous figure of US\$ 1,958,287. Foundation grants awarded saw a decrease of 85%, or US\$ 885,445, in comparison to the previous year. Expenditures in areas such as Agriculture, Education, Health, Water, and Sanitation grew by 30%, or US\$ 2,769,323. This was due to the resumption of operations post the Covid-19 pandemic and the expansion of the Foundation's programmes during the year.

As of 31 December 2022, the Foundation's unrestricted funds totalled US\$ 30,673,493. From this amount, the net book value of the group and charity's tangible fixed assets stands at US\$ 5,819,931. Furthermore, US\$ 1,804,766 has been set aside for impact investments, leaving an unrestricted fund balance of US\$ 23,048,796.

It should be noted that The Pharo Foundation does not engage in direct fundraising activities.

2.2 Investment Policy

The Pharo Foundation had an investment portfolio valued at US\$ 1,804,766 at 31 December 2022 (2021 – US\$ 1,804,766). 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 remained unchanged.

2.3 Reserves Policy

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

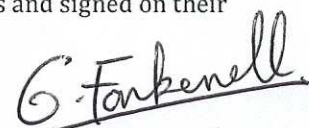
2.4 Grant Making Policy

Pharo Foundation provides grants to charitable organisations and scholarships to individuals as part of its mission to support philanthropic causes and educational advancement. Grants and scholarships are awarded to eligible recipients based on the Foundation's established criteria and guidelines.

Approved by the Trustees and signed on their behalf by:

Mr Guillaume Fonkenell,
Trustee

Approved by the Trustees on:


29/9/23

AUDIT REPORT

Independent auditor's report For the year ended 31 December 2022

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 2022 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 2022 and of the group's income and expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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.

Independent auditor's report For the year ended 31 December 2022

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.

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;

Independent auditor's report For the year ended 31 December 2022

- 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.

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 2022

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: 29 September 2023

FINANCIAL STATEMENTS

Consolidated statement of financial activities For the year ended 31 December 2022

	Notes	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Income from:			
Donations and legacies	1	57,243	100,689
Charitable activities	2	771,099	498,099
Other trading activities	3	693,007	14,402
Investment	4	20,302,185	20,027,792
Total income		21,823,534	20,640,982
Expenditure on:			
Social ventures trading		2,866,254	1,958,287
Charitable activities	6	12,064,602	9,295,278
Total expenditure		14,930,856	11,253,565
Minority interests		584	228
Net income before investment gains		6,893,262	9,387,645
Net gains/(losses) on investment assets	7	-	360,644
Net income		6,893,262	9,748,289
Other recognised gains/losses			
(Losses) on foreign exchange		(393,936)	(764,183)
Net movement in funds	8	6,499,326	8,984,106
Total funds brought forward		24,174,167	15,190,061
Total funds carried forward		30,673,493	24,174,167

All the above results are derived from continuing operations apart from Pharo Farm Ethiopia whose operations were discontinued on 30th September 2022. All income and expenditure for the current and prior year are unrestricted. Pharo Foundation has no recognised gains or losses other than those shown above.

Discontinued operations: Pharo Farm Ethiopia

	1 Jan 2022 to 31 Dec 2022 Total US\$	1 Jan 2021 to 31 Dec 2021 Total US\$
Income	3,180	506
Expenditure	335,766	782,665
Net (expenditure) from discontinued operations	(332,586)	(782,159)
Foreign exchange	14,992	21,555
Net (expenditure)	(317,594)	(760,604)

Statement of Financial Position

31 December 2022

	Notes	Group 2022 US\$	Group 2021 US\$	Foundation 2022 US\$	Foundation 2021 US\$
Fixed assets					
Tangible assets	10	5,819,931	5,222,784	3,950,943	3,407,283
Investments	11	1,804,766	1,804,766	8,651,552	4,057,705
Debtors due after one year	12	14,903	-	14,903	-
		<u>7,639,600</u>	<u>7,027,550</u>	<u>12,617,398</u>	<u>7,464,988</u>
Current assets					
Inventory	13	163,083	-	160,928	-
Debtors due within one year	14	1,245,672	899,437	556,251	654,406
Cash at bank and in hand		23,296,985	17,157,953	20,159,191	16,873,664
		<u>24,705,740</u>	<u>18,057,390</u>	<u>20,876,370</u>	<u>17,528,070</u>
Creditors: amounts falling due within one year	15	<u>(1,671,759)</u>	<u>(910,329)</u>	<u>(1,034,684)</u>	<u>(834,658)</u>
Net current assets		<u>23,033,981</u>	<u>17,147,061</u>	<u>19,841,686</u>	<u>16,693,412</u>
Total net assets		<u>30,673,581</u>	<u>24,174,611</u>	<u>32,459,084</u>	<u>24,158,400</u>
Minority interests		<u>(88)</u>	<u>(444)</u>	<u>-</u>	<u>-</u>
Net assets attributable to Group		<u>30,673,493</u>	<u>24,174,167</u>	<u>32,459,084</u>	<u>24,158,400</u>
Funds of the charity:					
Unrestricted Funds					
. General funds		23,048,796	16,982,818	19,856,589	16,529,613
. Designated funds	16	7,624,697	7,191,349	12,602,495	7,628,787
		<u>30,673,493</u>	<u>24,174,167</u>	<u>32,459,084</u>	<u>24,158,400</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:

29/9/23

Statement of Cash Flows

31 December 2022

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Cash flows from operating activities:		
Net cash (used in) operating activities	(12,167,607)	(9,715,134)
Cash flows from investing activities:		
Income from investments	20,302,185	20,027,792
Purchase of tangible fixed assets	(1,850,243)	(3,213,202)
Proceeds from sale of fixed assets	11,907	
Net cash provided by investing activities	18,463,849	16,814,590
Change in cash and cash equivalents in the reporting period	6,296,242	7,099,456
Cash and cash equivalents at 01 January 2022	17,157,953	10,309,165
Change in cash and cash equivalents due to exchange rate movements	(157,210)	(250,668)
Cash and cash equivalents at 31 December 2022	23,296,985	17,157,953

No separate statement of the movement in net debt has been prepared as there is no difference between the movement in cash and cash equivalents disclosed above and the movements in net cash (debt) for the group.

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

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Net income for the reporting period (as per the statement of financial activities)	6,893,262	9,748,289
Adjustments for:		
(Gains) / losses on investments	-	(360,644)
Depreciation charges	771,576	446,674
Impairment of fixed assets	-	375,749
Disposal of fixed assets	232,531	-
Income from investments	(20,302,185)	(20,027,792)
(Increase) in Inventory	(163,083)	-
(Increase) in debtors	(361,138)	(144,511)
Increase in creditors	761,430	247,101
Net cash used in operating activities	(12,167,607)	(9,715,134)

PRINCIPAL ACCOUNTING POLICIES

Principal accounting policies 31 December 2022

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

Basis of preparation

These financial statements have been prepared for the year to 31 December 2022. The financial statements are presented in US Dollar and are rounded to the nearest Dollar.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with 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 United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Companies Act 2006 and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

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 2022. 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.

Principal accounting policies 31 December 2022

- 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.
- 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
- New Forest Company: In the absence of readily determined and reliable fair values at the year end, this investment has been held at cost less impairment. The trustees' assessment of the impairment on this investment is determined from either the price offered for a rights issue given to the existing shareholders during the year or as a result of debt restructuring exercise. There was no change in the value of this investment during the year.

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 2022, 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 2023 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.

Principal accounting policies 31 December 2022

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.

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.

Principal accounting policies 31 December 2022

Operating leases

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

Debtors

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

Debtors due after one year relates to a component of scholarship awarded to students that is subject to recovery under certain terms and conditions of the scholarship. See Note 12.

Inventories

Inventories are stated at the lower of cost and net realisable value. Medical supplies are valued using FIFO method. The cost of medical supplies comprises mainly laboratory reagents. Fuel is valued at cost and is stored as a caution against shortage in the country. Ready Made Concrete (RMC) comprises construction materials valued by engineers at year-end. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

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.

Taxation

The taxation status of the group and its subsidiaries are disclosed in note 17. The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial statements 31 December 2022

1 Donations and legacies

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Donations	57,243	100,689
	<u>57,243</u>	<u>100,689</u>

2 Income from charitable activities

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Pharo schools	728,369	496,627
Pharo laboratories	30,076	-
Other income	12,654	1,472
	<u>771,099</u>	<u>498,099</u>

3 Income from social enterprise trading

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Construction income	693,007	14,402
	<u>693,007</u>	<u>14,402</u>

4 Income from investments

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Profit share from Pharo Management UK LLP	20,011,973	20,014,586
Bank interest	290,212	13,206
	<u>20,302,185</u>	<u>20,027,792</u>

5 Expenditure on Social Ventures Trading

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Cost of sale- Social Ventures Group of companies	690,649	133,293
Operational costs from the Social Ventures Group of companies	2,126,028	1,776,022
Governance costs	49,577	48,972
	<u>2,866,254</u>	<u>1,958,287</u>

Notes to the financial statements 31 December 2022

6 Expenditure on charitable activities

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Grants to Institution	163,799	1,064,147
Scholarship awarded	14,903	-
Integrated Livelihood Programme	11,070,274	7,611,524
Support costs of grant making and programme activities	815,626	619,607
	<u>12,064,602</u>	<u>9,295,278</u>

Analysis of activities	Activities undertaken directly 2022 US\$	Grant funding of activities 2022 US\$	Support costs 2022 US\$	Amount 2022 US\$
Agriculture	895,041	-	64,896	960,985
Education	7,090,702	178,702	527,080	7,796,484
Health	476,056	-	34,517	510,573
Water & Sanitation	2,608,475	-	189,133	2,797,608
	<u>11,070,274</u>	<u>178,702</u>	<u>815,626</u>	<u>12,064,602</u>

Analysis of activities	Activities undertaken directly 2021 US\$	Grant funding of activities 2021 US\$	Support costs 2021 US\$	Amount 2021 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>

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

Analysis of support costs	1 Jan 2022 to 31 Dec 2022 US\$	1 Jan 2021 to 31 Dec 2021 US\$
Communications & IT	63,086	24,019
Finance costs	429	423
General management	94,899	81,882
Office and premises	70,233	88,542
Staff costs	438,402	343,071
Governance costs	148,576	81,670
	<u>815,626</u>	<u>619,607</u>

7 Gains / (Losses) on investment assets

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Investment gains / (losses)	-	360,644
	<u>-</u>	<u>360,644</u>

The Foundation did not incur a gain or loss on investment in current period.

Notes to the financial statements 31 December 2022

8 Net movement in funds

This is stated after charging:

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Staff costs (note 9)	5,954,835	4,059,744
Parent company auditor's remuneration		
- statutory audit services	51,642	26,220
- other services	-	-
Other companies auditor's remuneration		
- statutory audit services	31,615	24,454
- other services	9,345	12,645
Depreciation	771,576	446,674
Impairment of fixed assets	-	375,749
Loss on disposal of fixed assets	232,531	-
Operating lease rentals	363,556	329,953

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

	Group 1 Jan 2022 to 31 Dec 2022 US\$	Group 1 Jan 2021 to 31 Dec 2021 US\$
Employees		
- wages and salaries	5,674,622	3,867,760
- social security costs	38,732	21,640
- employer pension contributions	241,481	170,344
	5,954,835	4,059,744

The average number of employees during the period totalled 463 persons (2021: 377 persons).

This is analysed as follows:

	Group 1 Jan 2022 to 31 Dec 2022 No.	Group 1 Jan 2021 to 31 Dec 2021 No.
Number of support staff	4	3
Number of programme staff	407	345
Number of social ventures staff	52	29
	463	377

	Group 1 Jan 2022 to 31 Dec 2022 No.	Group 1 Jan 2021 to 31 Dec 2021 No.
Employees with emoluments between £60,001 to £70,000 per annum	4	2
Employees with emoluments between £70,001 to £80,000 per annum	2	-
Employees with emoluments between £100,001 to £110,000 per annum	2	-
Employees with emoluments between £110,001 to £120,000 per annum	1	1
Employees with emoluments between £120,001 to £130,000 per annum	1	-
Employees with emoluments between £140,001 to £150,000 per annum	-	-
Employees with emoluments between £160,001 to £170,000 per annum	-	2
	10	5

The key management personnel of the Group comprise of the Trustees of the Pharo Foundation, CEO of Pharo Foundation and the CEO of Pharo Ventures Kenya. Others includes CFO and Mission directors.

The total remuneration of the key management personnel was US\$ 409,588(2021: US\$ 375,521) mainly due to hiring of some key staff during the year.

No Trustees received any remuneration or reimbursement of expenses in their capacity as trustees. However, Trustee's travel expenses were incurred directly by the Foundation in connection with their duties as Trustees during the year amounting US\$ 15,222 (2021: US\$ 0). These cost related exclusively to field visits to the Foundation's overseas project.

Notes to the financial statements

31 December 2022

10 Tangible 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 2022	433,001	299,778	173,484	1,508,329	2,401,929	81,657	198,824	798,189	5,895,191
Additions	127,572	267,553	136,419	507,851	-	-	190,907	619,941	1,850,243
Transfers	-	-	-	-	860,542	-	-	(860,542)	-
Disposals	(1,279)	-	(6,987)	-	(208,649)	(74,885)	-	(280)	(292,080)
FX on exchange rate	(25,621)	-	(9,792)	(43,362)	(282,399)	(6,772)	(5,085)	(10,417)	(383,448)
At 31 December 2022	533,673	567,331	293,124	1,972,818	2,771,423	-	384,646	546,891	7,069,906
Depreciation									
At 1 January 2022	101,784	20,247	56,993	331,795	138,157	23,432	-	-	672,408
Charge for the period	145,616	91,048	75,330	323,974	123,252	11,570	786	-	771,576
Disposals	(816)	-	(3,761)	-	(21,912)	(33,060)	-	-	(59,549)
FX on exchange rate	(10,059)	(426)	(4,758)	(18,607)	(98,644)	(1,942)	(23)	-	(134,459)
At 31 December 2022	236,525	110,869	123,804	637,162	140,853	-	763	-	1,249,975
Net book value									
At 31 December 2022	297,148	456,462	169,320	1,335,656	2,630,570	-	383,883	546,891	5,819,931
At 31 December 2021	331,217	279,531	116,491	1,176,534	2,263,772	58,225	198,824	798,189	5,222,782
Foundation									
	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 2022	297,808	-	130,482	519,164	2,175,691	-	61,314	719,642	3,904,101
Additions	104,943	122,081	109,277	301,954	-	-	44,406	472,853	1,155,514
Transfers	-	-	-	-	730,103	-	-	(730,103)	-
Disposals	-	-	-	-	-	-	-	(280)	(280)
FX on exchange rate	(21,106)	-	(6,984)	(23,307)	(180,435)	-	(5,085)	(10,417)	(247,334)
At 31 December 2022	381,646	122,082	232,776	797,810	2,725,359	-	100,635	451,695	4,812,001
Depreciation									
At 1 January 2022	82,474	-	48,008	239,850	126,486	-	-	-	496,818
Charge for the period	98,638	14,670	58,229	123,282	108,840	-	-	-	403,659
FX on exchange rate	(8,523)	(427)	(3,666)	(13,321)	(13,482)	-	-	-	(39,419)
At 31 December 2022	172,589	14,243	102,571	349,811	221,844	-	-	-	861,058
Net book value									
At 31 December 2022	209,057	107,839	130,204	447,999	2,503,515	-	100,635	451,695	3,950,943
At 31 December 2021	215,334	-	82,474	279,314	2,049,205	-	61,314	719,642	3,407,283

The write off relates to assets from Pharo Farm Ethiopia as a results of closure of operations

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.

Notes to the financial statements
31 December 2022

11 Investments

	Group 2022 US\$	Group 2021 US\$	Foundation 2022 US\$	Foundation 2021 US\$
Unlisted investments	1,804,766	1,804,766	1,803,220	1,803,221
Investment in subsidiary company	-	-	6,848,332	2,254,484
	<u>1,804,766</u>	<u>1,804,766</u>	<u>8,651,552</u>	<u>4,057,705</u>

Analysis of movement in investments

	Group 2022 US\$	Group 2021 US\$	Foundation 2022 US\$	Foundation 2021 US\$
Value at 01 January 2022	1,804,768	1,444,122	4,057,705	1,976,875
Additions	-	-	4,593,847	3,055,385
Impairment in subsidiary investment	-	-	-	(1,335,199)
Net (gain) on investment asset	-	360,644	-	360,644
Value at 31 December 2022	<u>1,804,768</u>	<u>1,804,766</u>	<u>8,651,552</u>	<u>4,057,705</u>

Analysis of historical costs

	Group 2022 US\$	Group 2021 US\$	Foundation 2022 US\$	Foundation 2021 US\$
Unlisted investments	5,151,542	5,151,542	5,151,542	5,151,542
Investment in subsidiary company	-	-	8,318,377	3,589,681
	<u>5,151,542</u>	<u>5,151,542</u>	<u>13,469,919</u>	<u>8,741,223</u>

Notes to the financial statements

31 December 2022

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.

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 & Wales)	Company number 12211206	PEL is a holding company whose principal activity is to establish Social Enterprises in East Africa.
Pharo Ventures Somaliland Limited ('PVSL')	Pharo Ventures Kenya Limited – 100%	Company limited by shares (Somaliland)	Company number 18120	The primary principal 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 principal 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.

Notes to the financial statements 31 December 2022

Pharo Integrated Agriculture & Manufacturing PLC Ethiopia (PVET)	Pharo Ventures Kenya Limited - 99.9%	Company limited by shares (Ethiopia)	Registered number 0073029357	The principal 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 has ceased activities.
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 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.
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 2022 is as follows:

A summary of the results of the above subsidiaries for the year ended 31 December 2022 is as follows:

	2022 PDIL \$	2022 PEL \$	2022 PVSL \$	2022 PCL \$	2022 RESL \$	2022 FARM SL \$	2022 PIAM ET \$	2022 FARM ET \$	2022 PVKL \$	2022 PVRWL \$
Income	20,011,973	-	-	807,410	-	-	-	3,180	1,575,387	-
Administrative expenditure	(2,209)	(2,110)	(324,887)	(1,418,375)	-	-	(148,558)	(335,766)	(1,518,780)	-
Operating surplus (deficit)	20,009,764	(2,110)	(324,887)	(610,965)	-	-	(148,558)	(332,586)	56,607	-
Distributions under gift aid	(20,011,914)	-	-	-	-	-	-	-	-	-
Net result	(2,150)	(2,110)	(324,887)	(610,965)	-	-	(148,558)	(332,586)	56,607	-
Other gains (losses)	-	(285)	2	-	-	-	(95,026)	14,992	389,298	-
Taxation	-	-	-	-	-	-	-	-	(32,583)	-
Net surplus / (deficit)	(2,150)	(2,395)	(324,885)	(610,965)	-	-	(243,584)	(317,594)	413,322	-
Retained funds at 1 January 2022	2,971	(4,814)	(134,533)	(274,077)	-	-	(102,022)	(821,354)	47,005	-
FX on exchange rate	-	-	-	-	-	-	(12,244)	(54,271)	1,406	-
Retained funds at 31 December 2022	821	(7,209)	(459,418)	(885,042)	-	-	(357,850)	(1,193,219)	461,733	-
Called up share capital At 31 December 2022	2	6,848,327	3,012,697	2,425,000	1,000	1,000	1,217,123	1,140,476	7,241,213	1,000

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 2022

12 Debtors due after one year

	Group 2022 US\$	Group 2021 US\$	Foundation 2022 US\$	Foundation 2021 US\$
Scholarship awarded loans	14,903	-	14,903	-
	<u>14,903</u>	<u>-</u>	<u>14,903</u>	<u>-</u>

13 Inventory

	Group 2022 US\$	Group 2021 US\$	Foundation 2022 US\$	Foundation 2021 US\$
Inventory - Medical	146,112	-	146,112	-
Inventory - Fuel	14,816	-	14,816	-
Inventory - RMC	2,155	-	-	-
	<u>163,083</u>	<u>-</u>	<u>160,928</u>	<u>-</u>

Inventory consists of medical supplies that is used at the Pharo Diagnostic Centre in Ethiopia, a depot of fuel stored mainly due to shortage of fuel in Ethiopia and construction materials at hand from Pharo Construction Limited. No inventory was carried forward from the prior year. Medical supplies are valued at FIFO method, fuel reported at its costs whereas construction materials are valued by construction engineer at the year end.

14 Debtors

	Group 2022 US\$	Group 2021 US\$	Foundation 2022 US\$	Foundation 2021 US\$
Accounts Receivable	41,895	18,413	15,108	18,413
Prepayments	622,164	754,748	476,792	581,347
Accrued Income	210,491	-	-	-
Sundry debtors	198,298	81,374	45,132	54,040
Deferred Tax Asset	172,824	44,902	-	-
Amounts due from subsidiary undertaking	-	-	19,219	606
	<u>1,245,672</u>	<u>899,437</u>	<u>556,251</u>	<u>654,406</u>

Sundry debtors include rent deposits of US\$ 50,065 (2021 – US\$ 40,285). The rent deposit is subject to a charge against all sums due and all The Pharo Foundation's obligations under property leases.

15 Creditors: amounts failing due within one year

	Group 2022 US\$	Group 2021 US\$	Foundation 2022 US\$	Foundation 2021 US\$
Grants payable	62,337	-	62,337	-
Accruals	345,894	332,872	256,668	390,837
Provision for Severance indemnities	451,345	269,672	419,636	262,288
Deferred Income	296,541	117,623	18,265	20,630
Corporation tax payable	2,847	-	-	-
Social security and other taxes	212,471	56,804	37,038	16,715
Trade and other payables	300,324	133,357	240,740	144,187
	<u>1,671,759</u>	<u>910,329</u>	<u>1,034,684</u>	<u>834,658</u>

The provision for severance indemnities relates to mandatory schemes which the group has in place outside the UK to provide for staff benefits on cessation of their employment.

Notes to the financial statements 31 December 2022

16 Designated funds

Group	At 1 Jan 2022 US\$	Net new commitments/ Investment US\$	Granted / (Reclassified / Impaired / Utilised) US\$	At 31 Dec 2022 US\$
Grants payable	163,799	-	(163,799)	-
Impact investments	1,803,222	-	-	1,803,222
Investments	1,544	-	-	1,544
Tangible fixed assets	5,222,782	1,174,715	(577,566)	5,819,931
	<u>7,191,349</u>	<u>1,174,715</u>	<u>(741,365)</u>	<u>7,624,697</u>

Foundation	At 1 Jan 2022 US\$	Net new commitments/ Investment US\$	Granted / (Reclassified / Impaired / Utilised) US\$	At 31 Dec 2022 US\$
Grants payable	163,799	-	(163,799)	-
Impact investments	1,803,223	-	-	1,803,223
Investments	2,254,483	4,593,846	-	6,848,329
Tangible fixed assets	3,407,282	907,900	(364,239)	3,950,943
	<u>7,628,787</u>	<u>5,501,747</u>	<u>(528,038)</u>	<u>12,602,495</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.

17 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 2022 was 30% as per the Tax Laws (Amendment) Act 2020. As a result, the tax charge for the year was US\$ 32,583 (2021 US\$ 26,633).

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.

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.

18 Related party transactions

The Pharo Foundation is funded by a proportion of profits realised by Pharo Management (UK) LLP, US\$ 20M (2021 US\$ 20M), where Mr Guillaume Fonkenell is a Managing Member.

During the prior 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. In 2021, the Foundation assisted the trustee by facilitating this purchase. Pharo Foundation Somaliland was permitted access to the land during the year and a lease was entered into on 1 July 2023 for a period of 99 years at a rent of US\$ 1 per annum.

As reported at note 11, Pharo Ventures Somaliland Limited holds 99.9% of the shares in Pharo Construction Somaliland LTD. One of the trustees holds the remaining shares

19 Analysis of net assets between funds

Group	General funds US\$	Designated funds US\$	Total 2022 US\$
Tangible fixed assets	-	5,819,931	5,819,931
Investments	-	1,804,766	1,804,766
Net current assets	23,048,796	-	23,048,796
	23,048,796	7,624,697	30,673,493

Foundation	General funds US\$	Designated funds US\$	Total 2022 US\$
Tangible fixed assets	-	3,950,943	3,950,943
Investments	-	8,651,552	8,651,552
Net current assets	19,856,589	-	19,856,589
	19,856,589	12,602,495	32,459,084

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
	16,982,818	7,191,349	24,174,167

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
	16,529,613	7,628,787	24,158,400

20 Financial Commitments

At 31 December 2022, The Pharo Foundation had the following grant commitments where an individual has been informed of the intention to fund a scholarship but the award is contingent upon the individual meeting the eligibility criteria and conditions of the funding. These commitments are in addition to the grants payable included at note 15.

	2022 US\$	2021 US\$
Land & Buildings		
. Less than one year	199,078	168,726
. Between two to five years	349,346	582,469
	<u>548,424</u>	<u>751,195</u>
Scholarships Awarded		
. Less than one year	93,522	-
. Between two to five years	187,043	-
	<u>280,565</u>	<u>-</u>

The Pharo Foundation's commitments to scholarships and fund projects where recipients have yet to meet all conditions for receipt are shown in note 15.

21 Post balance sheet event

There have been no post year-end events to report (2021 - the Trustees made the decision to close Pharo Farm Ethiopia by 30 September 2022 due to challenges experienced in operating this farm).



**Pharo
Foundation**

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