The Pharo Foundation

Annual Report and Financial Statements

For the year ended 31 December 2018

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

Charity Registration Number 1143152

Contents

Reference and administrative information

Trustees	Mr Matthieu Baumgartner Mr Christophe Beauvilain (Resigned 13 November 2018) Mr Guillaume Fonkenell Ms Farah Jirdeh-Fonkenell Ms Gulden Kazandag 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

Trustees' Report
For the year ended 31 December 2018

The Trustees present their statutory report together with the consolidated financial statements of The Pharo Foundation (the "Foundation") and its subsidiaries for the year ended 31 December 2018.

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

The financial statements have been prepared in accordance with the accounting policies set out on pages 22 to 24 therein and comply with the charitable company's Articles of Association, applicable laws and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015 or later).

1. Introduction

1.1 Our vision

The Pharo Foundation's vision is an economically self-reliant Africa. By economic self-reliance, we mean an individual being able to meet her or his own needs without external assistance.

1.2 Our mission

Our mission is to facilitate economic independence of African people through the promotion of sustainable livelihoods and job creation in Africa.

1.3 Our values

Our values are:

Sharing – We are duty-bound and honoured to share our successes and good fortunes with those who aspire and have the potential to become economically self-reliant.

Passion – We are passionate about Africa's potential to create thriving economies and to prosper.

Respect – We respect the knowledge, skills, culture and determination to succeed of African people.

Humility – We listen to and learn from our partner communities and organisations.

Collaboration – We welcome the opportunity to work in mutual trust with others who have complementary skills to achieve common goals.

2. Objectives and Activities

2.1 Purpose

The objects of the Foundation are to facilitate economic independence for the people and nations of Africa through the advancement of education and health, the relief of unemployment, the provision of financial and technical assistance to businesses, the promotion of sustainable development, the provision of professional training and the relief of poverty.

2.2 Objectives

We had the following main objectives for 2018:

- ✓ Support the implementation of ongoing grant projects so that they achieve their objectives and thereby contribute towards the achievement of our organisational mission and objectives.
- ✓ Complete the construction of Pharo Girls' Boarding Secondary School, Homosha and open the school for the academic year 2018-19.
- ✓ Get appropriate land from the government and open the school farm to support the boarding school.
- ✓ Consolidate implementation of a livelihoods programme in Menge Woreda (BGRS).

- ✓ Start implementation of a livelihoods programme in Dabofayd and Jirre Kebeles, Adadley Woreda (SRS).
- ✓ Continue with implementation of the livelihoods programmes in Gabiley District (Somaliland).
- ✓ Successfully run the 7 ECE (Early Childhood Education) centres in public schools and set the national standard
- ✓ Enhance our programme and organisational learning through effective implementation and continuous review of our policy and procedures.

2.3 Activities

The past year was a year of stabilisation for both Ethiopia and Somaliland country offices. Programme design and implementation capacity was further strengthened and significant progress was made towards achieving strategic objectives. Consequently, programme participants continued to thrive and our partnership with governments, local communities and relevant stakeholders enhanced further.

The year ushered an unprecedented political change and civil unrest in Ethiopia, causing significant disruption and delays in programme implementation in both regions of operation. The construction of Pharo School Homosha and the two water supply projects in Dabofayed and Jirrie was particularly hampered.

3. Achievements and Performance

The Foundation has made significant strides towards achieving its strategic outcomes in the reporting period. Although the construction of Pharo School Homosha was delayed due to various reasons, the commencement of Pharo School in a temporary campus and enrolment of the first class of 60 grade 9 girls was one of the bigger achievements of the year.

The rehabilitation of two dams, which are vital for more than 500 households' human and livestock water consumption in Botor and Ilinta villages in Somaliland, was another major milestone of our achievements in the past year.

The drip irrigation training project targeting 60 farmers in the villages of Botor and Ilinta was billed as the first of its kind in the country attracting positive attention from all stakeholders.

The ECE programme with 420 children took major strides towards establishing the standards for quality pre-school education in Somaliland.

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

3.1 Awarded grants

Grant implementation is mainly undertaken via partner organisations. In 2018, the new grants that the Trustees approved were as follows:

Table 1: List of awarded grants

Project Title	Project Location	Grant Recipient	Grant (US$)
Barwaaqo University	Somaliland	Barwaaqo University	54,072
The Pharo Foundation Scholarship Fund	Somaliland	Abaarso School of Science & Technology	24,000
AFFORD Diaspora Grants	Ethiopia	AFFORD	6,524
Kigutu Hospital / Women's Health Pavilion Village Health Works	Burundi	Village Health Works – (VHW)	300,000

3.2 Ongoing grant projects

We continued supporting the implementation of grant projects by partner organisations primarily in Ethiopia and Somaliland. Five grant projects were still under implementation at the end of the year, with at least two coming to an end in 2019. **Table 2** contains a list of these grant projects with their objectives.

In addition to partner organisations, the Foundation also promotes the involvement of its sister organisation, Pharo Management, in international development. One of the ways the Foundation does this is through funding relatively small scale projects that individual Pharo Management staff identify, propose, and get involved in implementing and light touch monitoring.

Table 2: Ongoing grant projects and their objectives

Grant Project Title	Project Location	Grant Project Objective
Barwaaqo University	Somaliland	To set the standard for Somaliland higher education institutions, producing and training well-rounded teachers who live by the values of integrity, tenacity and critical thinking.
AFFORD - Diaspora Grants, Ethiopia (African Foundation for Development)	Ethiopia	To enable diaspora / Africa partnerships to develop proactively, innovative and sustainable social enterprise solutions that unleash an eco-system of social entrepreneurship that in turn lead to job creation, employment-led growth, income generation & development.
Kigutu Hospital / Women's Health Pavilion - VHW	Burundi	Construction and running costs of the Kigutu Hospital, a state of the art 150-bed teaching hospital, to meet the needs of women and children.
Abaarso School of Science & Technology	Somaliland	To support Abaarso School students who were accepted to US educational institutions but required additional funding to pursue these opportunities.
Entraide Mali Yallankoro Soloba - EMYS	Mali	To support the EMYS project "Development of the economic life of Yallankoro Soloba in the context of climate change." which involves, improving farming systems, conservation of water resources, developing market access, thereby increasing production and productivity, enhanced food security and increased income.

3.3 Staff changes

2018 was a year of net staff growth for the Foundation with new hires in both countries. Total headcount reached 55 permanent and 18 temporary staff at the end of the year, up from 35 and 3 respectively at end of 2017.

In Ethiopia, one key hire was the Headmistress for the Pharo School, Mrs Andrea Spinner, in the summer of 2018. Mrs Spinner has since successfully hired 7 teachers and various support staff for the school, bringing the total number to 25 employees. Additional staff hires in Assosa were in agriculture and construction. In the Somali region, a surveyor joined the team.

In Somaliland, there were two key hires: Head of ECE and Head of Agriculture both joined in early summer. In addition, three recent university graduates joined who are also graduates of Abaarso School of Science and Technology.

On the other hand, we had three departures in Somaliland and two in Ethiopia.

In the coming years, our staff numbers will continue to grow in both countries as we go deeper into implementation.

3.4 Enhancing our capacity in Africa

We are enhancing our capacity and strengthening our position and visibility in both Somaliland and Ethiopia through close coordination and cooperation with different stakeholders. We realise the success of our projects depends on community buy-in and government partnership. To this end, we work closely with the communities at the project design and implementation stage and with the government entities at state, regional or village level to ensure sustainability and longevity of our projects.

We are also focusing on close monitoring and evaluation of our completed programmes to learn best practices and to avoid repeating mistakes.

Our preference is to hire skilled people as permanent staff and develop expertise in-house to run our projects rather than hiring outside consultants or contractors. We imagine big, but implement in small yet rapid phases to minimise mistakes and maximise efficient use of our resources and time.

3.5 Programme development

We will continue to concentrate our efforts in our chosen regions in Somaliland and Ethiopia, where we feel we are well positioned to establish a long-lasting presence and make significant positive changes in the communities where we are active. We feel we have greater understanding of the development opportunities, challenges and context of those two countries and regions and we see that as our competitive advantage.

However, as part of our growth strategy, we would like to explore the option of expanding into a third country by 2020.

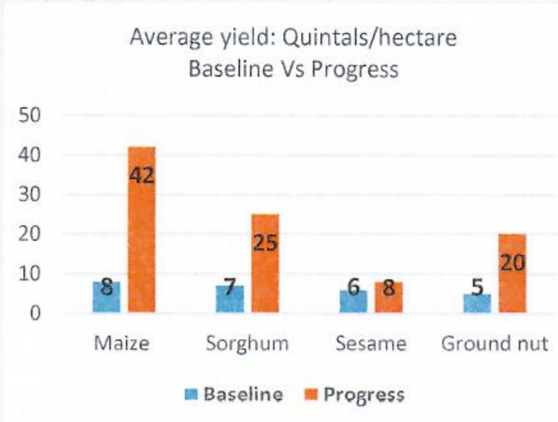
3.5.1 Ethiopia Programme

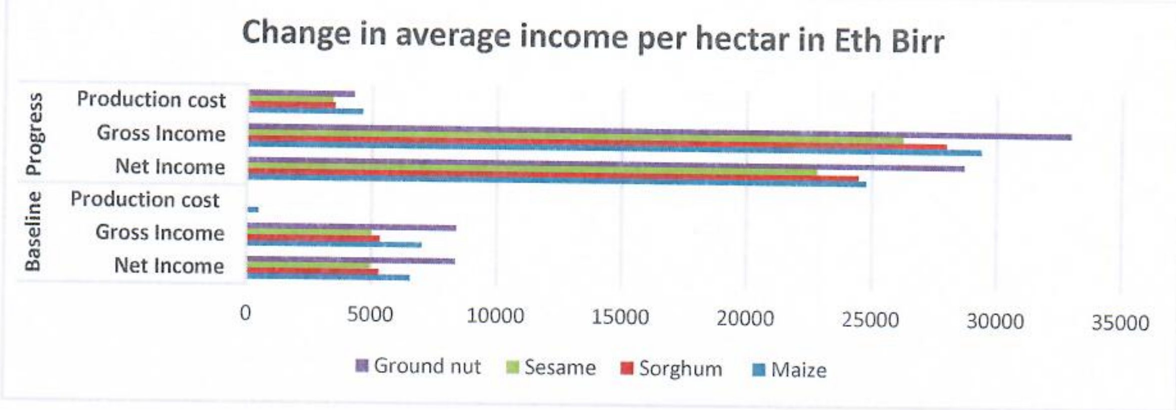
Ethiopia experienced an unprecedented political change in 2018. Although the majority of the population and the international community welcomes the change, it has triggered conflicts and social unrest in some parts of the country. Frequent security problems affected movement of staff and availability of project inputs. Consequently, projects in both regions suffered at least a one-time suspension of all activities and evacuation of staff. Despite the challenges, the Foundation made significant strides in the reporting period in three objective areas.

a. Improving agriculture production and productivity:

The Foundation has been implementing an integrated livelihood programme since 2017. The core component of this programme is increasing agriculture production and productivity, through the introduction of good agricultural practices and improving access to farm inputs and market.

In the reporting period, 267 households participated in the programme, with 220 engaged in crop production, 20 in bee keeping and 27 poultry. A total of 220 hectares of land (one hectare per household) was cultivated applying 234.2 quintals of improved seeds, 451 quintals of fertilizers and 1,320 tractors hours. The chart below presents the results obtained in relation to the baseline studies at the onset of the programme.





In our other programme region of SRS, Dabofayed and Jirrie villages of Adadley district, it was envisaged to achieve improved agriculture production and productivity through the introduction of intensive irrigation farming. The plan was to pilot the work with an initial 100-hectares of land for 100 households. Consequently, a complete design was prepared and agreed with various government bodies that encompassed pumping sites, primary and secondary irrigation canals with all the necessary earth work.

Unfortunately, the project could not go through ahead as planned, due to the communities' unexpected demands that conflicted with the signed agreements. The Foundation did not succeed in resolving the problems despite attempting to engage with various levels of the communities and the regional bureau of agriculture. This created a deadlock for the way forward, which eventually prompted cancellation of the irrigation component of the project.

b. Improving access and quality of education:

Construction and establishment of the Pharo Girls' Boarding School in Homosha Benishangul Regional State is the Foundation's flagship project in Ethiopia.

The school aims to educate promising girls from the region and was supposed to open in September 2018 in its brand new campus. Due to delays in construction, largely associated with the political unrest in the country, the school started in a temporary campus in Assosa.


Pharo School – Construction

Since October 2018, the first cohort of 60 Grade-9 girls have been attending classes in the temporary campus. The girls were selected from different parts of the region on set academic criteria and further successfully passed the Foundation's entrance exam. Approximately 400 girls sat the entrance exam, with the top 60 being offered places and all 60 accepting. The school is completely free for students, all expenses being covered by the Foundation.

In addition to the Pharo School, the Foundation also supports community and government infrastructures as part of its strategy.

Before and after refurbishment

In the Menge district where the integrated livelihood programme is underway, three primary schools were renovated and refurbished in 2018. Across the three schools 19 sub-standard classrooms were upgraded with 588 combined student desks, 39 blackboards and other teaching and learning materials. Teachers' capacity enhancement trainings as well as school - community partnership strengthening activities were also carried out. Among other improvements, the interventions have contributed to increase the gross enrolment in the target schools.

c. Increasing access to clean and adequate drinking water:

Slow sand filter water supply scheme under construction

In the Somali region, the construction of two clean Slow Sand Filter (SSF) water supply schemes in Dabofayed and Jirrie villages of Adadley district made decent progress though got delayed due to the earlier mentioned security issues. The two local contractors, with close supervision of the Foundation team, completed about 24% of the work by the end of 2018. Installation of electromechanical parts, setting up and training of operation and maintenance committees, hygiene and sanitation promotion are the remaining activities for 2019. When completed, residents of the villages will have access to drinking water at communal water distribution points within the villages, significantly reducing the time it takes to fetch drinking water.

In Menge district, the rehabilitation of two shallow and ten hand-dug wells by the Foundation enabled the generation of 23,875 litres of drinking water per day, which translates into an additional two litres per capita per day for the 12,387 people residing in the four target villages of the district.

Challenges faced:

The following are major challenges encountered in the reporting period.

- Country wide political and social unrest associated with the unprecedented change resulted in repeated roadblocks of the main roads between the capital and project sites, hampering mobility of people and supplies.
- Political uncertainty and a high turnover of regional and local government officials made it difficult to follow through activities. The administrative vacuum created in the transition period made it very challenging to make real progress with project activities.

- Price escalation and unavailability of materials, particularly in construction, made it difficult to make realistic plans/budgets and negatively affected ongoing project progress.
- Sub-standard performance of consultants and contractors in construction and water development.
- Incidences of crop pests and unprecedented wind causing crop damage.

3.5.2 Somaliland Programme

The Foundation's programme in Somaliland focuses on agriculture, water and education with future ambitions in health. The water and agriculture projects are being implemented in three villages (Botor, Ilinta, and Ilma Dado) of the North West Agricultural Zone of Maroodijex region, while the education component is currently implemented in Hargeisa. In 2018, the programme made considerable progress in all project areas.

a. Improving agriculture production and productivity:

In Somaliland, the majority of farmers utilise traditional farming techniques characterised as low input and low output. The Foundation's approach for improving agriculture production and productivity is multi-pronged. While we try to conserve top soil and stop erosion with soil bunds, we also train farmers in modern agricultural practices such as improved farming techniques, improved seeds, fertilisers, compost making and pesticides. We also introduced drip irrigation through the establishment of demonstration sites at Botor and Ilinta.

In 2018, the first cohort of 60 farmers was trained for a period of six months at the two demonstration sites. Farmers were trained in good agriculture practices, as well as water-harvesting techniques using irrigation ponds and the installation of a drip irrigation system.

The drip irrigation system is an alternative to mitigating the impact of climate change which is causing poor and erratic rainfall patterns. At the demonstration sites, 150m3 of water harvested in the pond after a few days' rain is sufficient to irrigate a half acre of land for one harvest season. Depending on the crop harvested, the additional income generated per harvest can be in the range of USD500-900 compared to current annual incomes of approximately USD 300 per farmer. Drip irrigation systems allow up to 2- 3 harvests per year.

Soil bund construction augments not only crop yield but also improves soil moisture and fertility and helps stop soil erosion. As part of the third phase of the 2018 plans, the Foundation has successfully completed the implementation of 36,000m of soil bunds in 200 farms of Ilma Dado (180m/farm), while in phase one and two, 135,000m (180m/farm) were completed in 750 farms in Botor and Ilinta.

b. Increasing access to clean and adequate drinking water:

Water development activities started with the assessment of all water sources such as dams, berkeds and shallow wells existing in target villages. Based on the assessment results, community consultations were conducted and certain dams were identified as priorities for rehabilitation. In 2018, the rehabilitation of two dams was carried out, one in Botor and one in Ilinta.

The rehabilitation work consisted of dam excavation, silt-trap fixing, supply and fitting of pumps, fencing, building clean water reservoirs and installation of pipes and drinking kiosks as well as animal troughs.

The dams, which are vital for more than 500 households' human and livestock water needs, were officially opened for use in a ceremony attended by Somaliland Ministries of Water and Agriculture, the communities and The Pharo Foundation team and trustees.

Participatory Hygiene and Sanitation Training classes using PHAST methodology were conducted in all three villages. The methodology encourages collective community action in order to improve community hygiene and sanitation addressing four?hygiene domains: personal, environmental, food and water. One of the major sanitation problems identified by training participants was the practice of open defecation in the villages. After the training, the Foundation built numerous communal latrines in the villages where the community members contributed with labour by digging the pits.

Further to interventions in water and agriculture, the Foundation supported the rehabilitation of the Botor Community Centre in 2018. The centre consists of a large storeroom, a large meeting room and three offices now actively used by the community for various purposes.

c. Improving access and quality of education:

The Early Childhood Education (ECE) programme is the Foundation's flagship education initiative in Somaliland. The overall aim of the programme is to increase access to quality ECE for children from poor and middle-income families, through the integration of ECE into the public education system.

The programme has enabled the establishment of an ECE unit at the MoEHS, the development of a provisional ECE curriculum, training of 28 ECE teachers and the establishment of seven ECE centres in seven public primary schools in Hargeisa. Since 2016 more than 620 children have had the opportunity to develop their cognitive, emotional and social skills that enhances their readiness for school. In the 2018/19 academic year, 420 children are benefiting from the early childhood education.

Based on the lessons learned from the review of the last two years, the Foundation added a health assessment and a deworming programme this year. Each child was assessed at the beginning of the academic year and provided with a health book through which their progress will be monitored. Staff observed malnutrition in up to 50% of the children across all schools. This re-affirmed the belief in the need to provide a nutritious daily snack, including a protein, healthy carbohydrate, a piece of fruit and milk, which was subsequently added to the daily curriculum.

In addition, the ECE centres were revamped, including refurbishment of the buildings and addition of playgrounds.

The other contribution the Foundation has been making in order to improve access and quality of education is through a grant made to Barwaaqo University and Abarsso School of Science and Technology.

The support to Abaarso School is to cover expenses of students accepted to continue their education in US educational institutions. The grant to Barwaaqo is to supplement the establishment and operation expenses over seven years. In 2018, Barwaaqo University opened its School of Education, which has a mission of training Somali women to become teachers in primary schools of Somaliland. We believe this will significantly improve quality of education in the country from the bottom up.

4. The Pharo Foundation Strategy (2016-2020)

4.1 Our ambition and strategic objective

Our ambition for 2025 is to bring about positive changes to the lives of at least 100,000 households in Africa through integrated development programmes anchored on agriculture and water.

Our strategic objective is to significantly improve the income and livelihoods of 30,000 households in Africa by 2020. The specific objectives under the strategic objective are:

1. To increase agricultural productivity by at least 50% for 30,000 households
2. To improve access to water to national standards for 30,000 households
3. To improve access to priority basic services as identified by each programme partner community
4. To continuously enhance our and our partners' impact and programme effectiveness

We will focus on people with the potential to become economically self-reliant many of whom are women.

4.2 Our approaches and emphasis

We have been using the following approaches and principles that we have developed during the strategic planning process to guide us in the development of programmes and partnerships to translate the strategy into reality.

- ✓ We will focus on selected regions of Somaliland and Ethiopia, and other nearby countries in Africa where we can make the greatest difference.

- ✓ We will focus on people with the potential to become economically self-reliant.

- ✓ We will work with our partners to design and implement exemplary integrated programmes anchored in agricultural development, water management, and other relevant long-term development needs articulated by partner communities. We will also document and disseminate knowledge and evidence generated from our work to inform the work of others and to influence policy and practice.

- ✓ We will seek depth rather than breadth in what we achieve – we would rather make a life-changing difference to the lives of 100,000 people than give valued but lesser help to 500,000. We focus on long-term development work, including disaster risk reduction, rather than short-term humanitarian relief. These choices reflect our values and our emphasis on economic self-reliance.

- ✓ We have chosen to focus on improving income and livelihoods through an integrated approach, potentially spanning several sectors, instead of supporting sector-specific projects (e.g.

education, health, etc.). This choice reflects our vision of economic self-reliance and our values in terms of responding to local priorities. Furthermore, it recognises the reality that development problems generally concern systems, not single issues.

- ✓ However, our chosen locations all have needs in agricultural development and most have needs in water management. Therefore, we see our integrated approach as anchored in agricultural development and water management, meaning that it is essential that among our staff in each country we have skills in these sectors. Our work to improve access to water for domestic consumption will be accompanied by increasing access to improved sanitation and hygiene education.

- ✓ Our main activities will be a combination of direct involvement in programme development and service delivery on the one hand and creating and/or strengthening small and medium sized enterprises and community organisations on the other. This again is a choice: we could have chosen to stay as a simple grant-giving foundation. Our values led us to choose to work over time to become more deeply and directly involved, while continuing to support some partners through grants.

- ✓ Our main partners will be community-based organisations, but we will work with a range of others including national and international NGOs, local and national governments, research and academic institutions and the private sector. Our core skill will be bringing together these various relationships and activities into an effective whole. We will strive to deliver the best outcomes by sharing knowledge and learning from the best

- ✓ In addition to our main strategic programme work, we will continue giving Employee Sponsored Grants on a modest scale each year in accordance with the wishes of employees of Pharo Management. Our Trustees are very passionate about Africa's development and we will set aside funds for projects that inspire them and that they wish to support.

- ✓ We will continue to selectively fund partner organisations' projects where we are passionate and where we see opportunities for learning and technology transfer for our own programmes.

4.3 New Vision and Strategy

At the end of 2018, the trustees agreed to revise the vision and the strategy of the Foundation to better reflect our ambitious goals for growth. Instead of measuring our success by number of households we target, we prefer to focus on real achievements from a more strategic perspective. Furthermore, we would like to focus more on social enterprises for job creation.

We hope to have the new strategy in place by mid-2019.

5. Structure, Governance and Management

5.1 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).

5.2 Organisational structure

The Pharo Foundation is a modest size organisation (structure below) with its Trustees overseeing its work. The Pharo Foundation has one wholly owned subsidiary – Pharo Development Investment Limited (PDIL) as at 31 December 2018.

PDIL's principal activity is to receive profit distributions from Pharo Management (UK) LLP and make charitable donations to The Pharo Foundation.

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

The Trustees who held office during the period ending 31 December 2018 and up to the date of approval of these financial statements were:

Mr Christophe Beauvilain (Resigned 13 November 2018)
Mr Matthieu Baumgartner
Mr Guillaume Fonkenell
Ms Farah Jirdeh-Fonkenell
Ms Gulden Kazandag
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 6 of the financial statements.

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

The key management personnel of the charity, responsible for directing and controlling, running and operating the charity on a day to day basis, comprises of the CEO and the Trustees.

5.3 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 United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ✓ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

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

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

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

5.4 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 June 2018.

Our updated risk management matrix contains 22 potential risks under eight major headings, including governance and management, law and regulation compliance, investment, operational, financial, external and reputational. For each potential risk, we have identified potential consequences and the controls we have put in place to manage the risk. We have also rated (low, medium and high) the likelihood of each potential risk happening and the impact it will have on the Foundation if the risk materialised.

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

- ✓ The Foundation lacks 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 well-articulated ten-year aims (2016-25) and five-year strategy (2016-20).

- ✓ 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.

- ✓ Failure to allocate and use resources in an appropriate and timely manner with potential consequences of wasted effort/resources, failure to provide duty of care and loss of reputation. Trustees scrutinise each programme proposal and budget before approval, they receive and scrutinise quarterly reports from the CEO, and they organise periodic independent reviews.

- ✓ 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.

5.5 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.

5.6 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.

6. Future Plans and Objectives

In 2019, we will build on the solid and steady progress we made in 2018 in the implementation of our strategy. The following are key objectives that we have set for 2019:

- ✓ Revise the vision, mission and the strategy to better reflect our objectives
- ✓ Support the implementation and expansion of ongoing grant projects in all areas so that they achieve their objectives.
- ✓ Complete the construction of Pharo School Homosha and open school for the academic year 2019 - 2020.
- ✓ Get appropriate land from the government and open the school farm to support the boarding school.
- ✓ Continue with implementation of the livelihoods programmes in Gabiley District (Somaliland).
- ✓ Finalise the water supply project in Dabofayd and Jirrie Kebeles, Adadley Woreda (SRS).
- ✓ Consolidate implementation of a livelihoods programme in Menge Woreda (BGRS).
- ✓ Expand on the successes of the ECE programme to improve quality of education while expanding into more schools
- ✓ Become more active in health by identifying worthy projects in our target communities
- ✓ Enhance our programme and organisational learning through effective implementation and continuous review of our policy and procedures.

7. Financial Review

7.1 Financial position

The Pharo Foundation received a donation of US$7,153,301 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.

At 31 December 2018, the group had total unrestricted funds of US$14,115,795. Of this amount US$2,558,387 has been committed to partners as future funding, subject only to satisfactory reviews of project progress. This amount is not available for future programme grants or general expenses. US$4,689,917 is being invested in impact investments and the remaining unrestricted funds of US$6,853,939 are the group's reserves.

Total income of the Group for the period was US$7,245,459 while total expenditure was US$3,003,602.

The Pharo Foundation does not undertake fundraising activities.

7.2 Investment policy

The Pharo Foundation had an investment portfolio valued at US$4,689,917 at 31 December 2018 (2017 – US$5,050,561). The Pharo Foundation's investment objective is to generate annual investment returns in excess of HSBC cash deposit rate and/or to further its charitable objectives. 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.

7.3 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 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.

The above report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the Trustees and signed on their behalf by:

Ms Gulden Kazandag,
Trustee
Approved by the Trustees on 14 August 2019

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 subsidiary Pharo Development Investment Limited (the 'group') for the year ended 31 December 2018 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 2018 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

Independent auditor's report
For the year ended 31 December 2018

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the foundation and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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

- adequate accounting records have not been kept by the group and foundation, or returns adequate for our audit have not been received from branches not visited by us; or
- the foundation financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Independent auditor's report
For the year ended 31 December 2018

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.

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

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.

Buzzacott LLP

Edward Finch, (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL
Date: 11/9/19

Consolidated statement of financial activities
For the year ended 31 December 2018

	Notes	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Income from:			
Donations and legacies	1	26,619	6,359
Investment	2	7,218,840	4,028,981
Total income		7,245,459	4,035,340
Expenditure on:			
Charitable activities	3	3,003,602	2,032,020
Total expenditure		3,003,602	2,032,020
Net income before investment gains		4,241,857	2,003,320
Net (losses) on investment assets	4	(360,644)	-
Net income		3,881,213	2,003,320
Other recognised gains/losses			
(Losses) / gains on foreign exchange		(128,384)	6,136
Net movement in funds	5	3,752,829	2,009,456
Total funds brought forward		10,362,966	8,353,510
Total funds carried forward		14,115,795	10,362,966

The Pharo Foundation has no recognised gains or losses other than those shown above.

Statement of Financial Position
31 December 2018

	Notes	Group 2018 US$	Group 2017 US$	Foundation 2018 US$	Foundation 2017 US$
Fixed assets					
Tangible assets	7	1,531,400	394,528	1,531,400	394,528
Investments	8	4,689,917	5,050,561	4,688,374	5,049,018
		6,221,317	5,445,089	6,219,774	5,443,546
Current assets					
Debtors due within one year	9	316,463	403,062	318,554	403,062
Cash at bank and in hand		7,831,056	4,829,999	7,826,491	4,825,076
		8,147,519	5,233,061	8,145,045	5,228,138
Creditors: amounts falling due within one year	10	(253,041)	(315,184)	(250,900)	(312,890)
Net current assets		7,894,478	4,917,877	7,894,145	4,915,248
Total net assets		14,115,795	10,362,966	14,113,919	10,358,794
Net assets attributable to Group		14,115,795	10,362,966	14,113,919	10,358,794
Funds of the charity:					
Unrestricted Funds					
. General funds		6,867,491	4,424,946	6,867,160	4,422,319
. Designated funds	11	7,248,304	5,938,020	7,246,759	5,936,475
		14,115,795	10,362,966	14,113,919	10,358,794

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

Gulden Kazandag
Trustee
Approved on 14 August 2019

Statement of Cash Flows
31 December 2018

	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	(2,783,767)	(2,433,346)
Cash flows from investing activities:		
Income from investments	7,218,840	4,028,981
Purchase of tangible fixed assets	(1,188,941)	(378,377)
Net cash provided by / (used in) investing activities	6,029,899	3,650,604
Change in cash and cash equivalents in the reporting period	3,246,132	1,217,258
Cash and cash equivalents at 01 January 2018	4,829,999	3,438,768
Change in cash and cash equivalents due to exchange rate movements	(245,074)	173,972
Cash and cash equivalents at 31 December 2018	7,831,056	4,829,999

	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	3,881,213	2,003,320
Adjustments for:		
Losses on investments	360,644	-
Depreciation charges	44,473	15,923
Income from investments	(7,218,840)	(4,028,981)
Increase/(decrease) in debtors	86,599	(339,450)
Decrease / (Increase) in creditors	62,143	(84,158)
Net cash used in operating activities	(2,783,767)	(2,433,346)

Principal accounting policies
31 December 2018

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

Basis of accounting
The 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 UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

The financial statements are presented in US dollars and are rounded to the nearest dollar.

Basis of consolidation
The Consolidated Financial Statements incorporate the results of the Pharo Development Investment Limited ('PDIL') for the year ended 31 December 2018.The acquisition method of accounting has been adopted. Under this method, the results of PDIL is included in the Consolidated Statement of Financial Activities.

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
The most significant area of judgement that affects items in the accounts is in respect to the value of unlisted investments. Unlisted investments are recorded at managements estimate of fair value in the absence of readily determined fair values. These estimates are established with reference to the price of new share issues during the accounting period, or the most recent issue after the year end if no new shares were issued during the accounting period, and are believed to be a reliable best estimate of fair value. Where no reliable estimates can be made, the investments are carried as costs less impairment.

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 to 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.

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

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

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.

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.

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 it is 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:

- Expenditure on activities comprises the salaries, overheads, including 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
Construction in progress	No depreciation

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

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 (£).

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.

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 which may be used towards meeting the charitable objective of the charity at the discretion of the Trustees.

The designated fund comprises monies set aside out of unrestricted general funds or specific future purposes or projects.

1 Donations and legacies

	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Donations	26,619	6,359
	26,619	6,359

2 Income from investments

	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Profit share from Pharo Management UK LLP	7,153,301	4,017,815
Bank interest	65,539	11,166
	7,218,840	4,028,981

3 Expenditure on charitable activities

	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Grants	384,596	656,667
Integrated Livelihood Programme	2,236,752	935,658
Support costs of grantmaking and programme activities	382,254	439,695
	3,003,602	2,032,020

Analysis of activities	Activities undertaken diretly 2018 US$	Grant funding of activities 2018 US$	Support costs 2018 US$	Amount 2018 US$
Development	-	6,524	951	7,475
Education	-	78,072	11,385	89,457
Health	-	300,000	43,747	343,747
Ethiopia Programme	1,411,466	-	205,825	1,617,291
Somaliland Programme	825,286	-	120,346	945,632
	2,236,752	384,596	382,254	3,003,602

Analysis of activities	Activities undertaken diretly 2017 US$	Grant funding of activities 2017 US$	Support costs 2017 US$	Amount 2017 US$
Agricultural	-	85,123	23,505	108,628
Development	-	90,057	24,868	114,925
Education	-	280,701	77,511	358,212
Health	-	200,786	55,444	256,230
Ethiopia Programme	514,508	-	142,073	656,581
Somaliland Programme	421,150	-	116,294	537,444
	935,658	656,667	439,695	2,032,020

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 2018 to 31 Dec 2018 US$	1 Jan 2017 to 31 Dec 2017 US$
Communications & IT	10,130	10,144
Finance costs	845	794
General management	58,823	53,166
Office and premises	92,913	88,905
Staff costs	159,171	239,309
Governance costs	60,373	47,378
	382,255	439,695

4 (Losses) / gains on investment assets

	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Investment losses	(360,644)	-
	(360,644)	-

5 Net movement in funds

	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Staff costs (note 6)	922,243	802,369
Auditor's remuneration		
- statutory audit services current year	21,800	24,271
- other services	1,939	4,682
Operating lease rentals	74,800	70,239

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

	Group 1 Jan 2018 to 31 Dec 2018 US$	Group 1 Jan 2017 to 31 Dec 2017 US$
Employees		
- wages and salaries	842,586	725,073
- social security costs	23,332	37,359
- employer pension contributions	56,325	39,937
	922,243	802,369

The average number of employees during the period totalled 46 persons (2017: 29 persons). This is analysed as follows:

	Group 1 Jan 2018 to 31 Dec 2018 No.	Group 1 Jan 2017 to 31 Dec 2017 No.
Number of support staff	3	4
Number of programme staff	43	25
	46	29

The Foundation has no employees who received whose emoluments in excess of £60,000 during the year. 2017: one employee received (£60,001 – £70,000).

The key management personnel of the parent, the Foundation, comprises the Trustees and CEO. One Trustee acts as CEO of the charity on an unpaid basis and was reimbursed US$6,443 (2017: US$180) relating to travel expenses incurred in her capacity as CEO.

No Trustees received any remuneration or reimbursement of expenses in their capacity as trustees. US$26,968 for travel expenses were met directly by the Foundation for four Trustees in connection with their duties as Trustees during the period (2017: US$4,911 for all Trustees). The total remuneration (including taxable benefits) of the key management personnel for the year is $nil (2017: £74,531 which roughly translates to US$96,044).

The key management personnel of the group comprise those of the Foundation. The key management personnel of its wholly owned subsidiary Pharo Development Investment Limited are the Directors. The Directors received no remuneration or reimbursement of expenses in connection with their duties as Directors during the period (2017: $nil).

7 Tangible assets

Group and Foundation	Furniture and fittings US$	IT equipment US$	Motor Vehicles US$	Construction in progress US$	Total US$
Cost					
At 1 January 2018	3,903	3,381	167,716	239,647	414,647
Additions	23,982	18,950	109,015	1,036,994	1,188,941
FX on exchange rate	(72)	(24)	(1,734)	(6,694)	(8,524)
At 31 December 2018	27,813	22,307	274,997	1,269,947	1,595,064
Depreciation					
At 1 January 2018	1,045	2,287	16,787	-	20,119
Charge for the period	4,706	1,436	38,331	-	44,473
FX on exchange rate	(119)	(29)	(778)	-	(927)
At 31 December 2018	5,632	3,694	54,340	-	63,665
Net book value					
At 31 December 2018	22,181	18,614	220,658	1,269,947	1,531,400
At 31 December 2017	2,858	1,094	150,929	239,647	394,528

The Foundation has been granted use of 26 hectares of land from the Environment Forest and Land Administration Office, of BGRS regional state, Ethiopia for the construction of the Pharo School Homosha. No value has been attributed in the financial statements due to inability to acquire the value of the grant under specific terms granted. The Construction in Progress is the school built on this land.

8 Investments

	Group 2018 US$	Group 2017 US$	Foundation 2018 US$	Foundation 2017 US$
Unlisted investments	4,689,917	5,050,561	4,688,372	5,049,016
Investment in subsidiary company	-	-	2	2
	4,689,917	5,050,561	4,688,374	5,049,018

Analysis of movement in investments

	Group 2018 US$	Group 2017 US$	Foundation 2018 US$	Foundation 2017 US$
Market value	5,050,561	5,050,561	5,049,018	5,049,018
Net (loss) on investment asset	(360,644)	-	(360,644)	-
Market value	4,689,917	5,050,561	4,688,374	5,049,018

Investment by the Group represents its investment in Pharo Management (UK) LLP and New Forests Company Holdings Limited. The investment in New Forests Company Holdings Limited has been valued at managements estimate of its fair value which has been determined with reference to the price of new share issues during the accounting period.

The Pharo Foundation had one wholly owned subsidiary at 31 December 2018 and 31 December 2017 – Pharo Development Investment Limited (PDIL), registered number 7775576.

PDIL's principal activity is to receive profit distributions from Pharo Management (UK) LLP and make charitable donations to The Pharo Foundation. A summary of the results is set out below. Audited accounts will be filed with the Registrar of Companies. The company did not trade during the period and the previous period.

Pharo Development Investment Limited

	2018 US$	2017 US$
Income	7,163,413	4,017,815
Administrative costs	(2,036)	(2,457)
Profit on ordinary activities before foreign exchange	7,161,377	4,015,358
(Losses) / gains on foreign exchange	(261)	456
Profit for the financial year	7,161,116	4,015,814
Gift aid	(7,163,413)	(4,015,118)
Aggregate capital and reserves	1,876	4,173

9 Debtors

	Group 2018 US$	Group 2017 US$	Foundation 2018 US$	Foundation 2017 US$
Prepayments	61,097	32,040	61,097	32,040
Construction advance	217,710	339,334	217,710	339,334
Sundry debtors	37,656	31,688	37,656	31,688
Amounts due from subsidiary undertaking	-	-	2,091	-
	316,463	403,062	316,462	403,062

Construction advance includes advance payments of ETB 6,181,861 (2017: ETB 10,688,902) made to the construction companies less any proportional deductions made after subsequent payments. Sundry debtors include rent deposits of £20,781 (2017 – £20,781). The rent deposit is subject to a charge against all sums due and all the Pharo Foundation's obligations under property leases.

10 Creditors: amounts falling due within one year

	Group 2018 US$	Group 2017 US$	Foundation 2018 US$	Foundation 2017 US$
Accruals	59,168	215,665	57,027	215,665
Sundry creditors	193,873	99,519	193,873	97,225
	253,041	315,184	250,900	312,890

11 Designated funds

Group	At 1 Jan 2018 US$	Net new commitments/ Investment US$	Granted / (Gained / Impaired) US$	At 31 Dec 2018 US$
Grants payable	887,459	2,055,524	(384,596)	2,558,387
Impact investments	5,049,017	-	(360,644)	4,688,373
Investments	1,544	-	-	1,544
	5,938,020	2,055,524	(745,240)	7,248,304

Group	At 1 Jan 2017 US$	Net new commitments/ Investment US$	Granted / (Gained / Impaired) US$	At 31 Dec 2017 US$
Grants payable	414,085	887,457	(414,083)	887,459
Impact investments	5,049,017	-	-	5,049,017
Investments	1,544	-	-	1,544
	5,464,646	887,457	(414,083)	5,938,020

Foundation	At 1 Jan 2018 US$	Net new commitments/ Investment US$	Granted / (Gained / Impaired) US$	At 31 Dec 2018 US$
Grants payable	887,458	2,055,524	(384,596)	2,558,386
Impact investments	5,049,017	-	(360,644)	4,688,373
	5,936,475	2,055,524	(745,240)	7,246,759

Foundation	At 1 Jan 2017 US$	Net new commitments/ Investment US$	Granted / (Gained / Impaired) US$	At 31 Dec 2017 US$
Grants payable	414,084	887,457	(414,083)	887,458
Impact investments	5,049,017	-	-	5,049,017
	5,463,101	887,457	(414,083)	5,936,475

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

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

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.

12 Taxation

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

13 Related party transactions

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

14 Analysis of net assets between funds

Group	General funds US$	Designated funds US$	Total US$
Tangible fixed assets	1,531,400	-	1,531,400
Investments	-	4,689,917	4,689,917
Net current assets	5,336,091	2,558,387	7,894,478
	6,867,491	7,248,304	14,115,795

Foundation	General funds US$	Designated funds US$	Total US$
Tangible fixed assets	1,531,400	-	1,531,400
Investments	-	4,688,374	4,688,374
Net current assets	5,335,760	2,558,385	7,894,145
	6,867,160	7,246,759	14,113,919