

Faraja Trust

Annual Report 2011



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FOREWORD

Dear reader,

We are proud to present to you the annual report of the year 2011 for Faraja Trust. To us, this year has been a very special one since it has seen the transition from one organization with a very diverse range of activities into a more flexible group structure that gives more autonomy and responsibility to the people on the ground. At the same time, the year 2011 has been the first year under the new chairmanship of Peter Muthee after the founder of Faraja Trust, Fr. Peter Meienberg has stepped down as chairman in December 2010.

As you will read on the following pages, the different programmes of Faraja have performed well in 2011. In the prison programme, there has been a clear focus on education of both inmates and officers whereas in the Faraja Latia project, the activities have been expanded to the neighbouring small-scale farmers who have benefitted from a project that saw the construction of water tanks combined with training and business start-up support.

In terms of finances, Faraja was able to boost its income from its own properties. However, the Trust still received a substantial amount of donations for which we would like to take this opportunity to thank our donors and well wishers for their support and their trust and confidence in us and our work.



Fr. Peter Meienberg
Founder of Faraja Trust



Peter Muthee
Chairman of Faraja Trust

THE YEAR 2011 AT A GLANCE

<u>Financial Key Figures</u>	in KSH	in CHF
Total Income	44'931'502	449'315
Total Project Costs	33'822'663	338'227
Total Administrative Costs	10'017'518	100'175
TOTAL NET PROFIT	1'091'321	10'913
TOTAL NET INVESTMENTS	7'374'238	73'742
GRANTS AND RESERVES AT 31.12.2011	229'920'985	2'299'210

Number of Beneficiaries

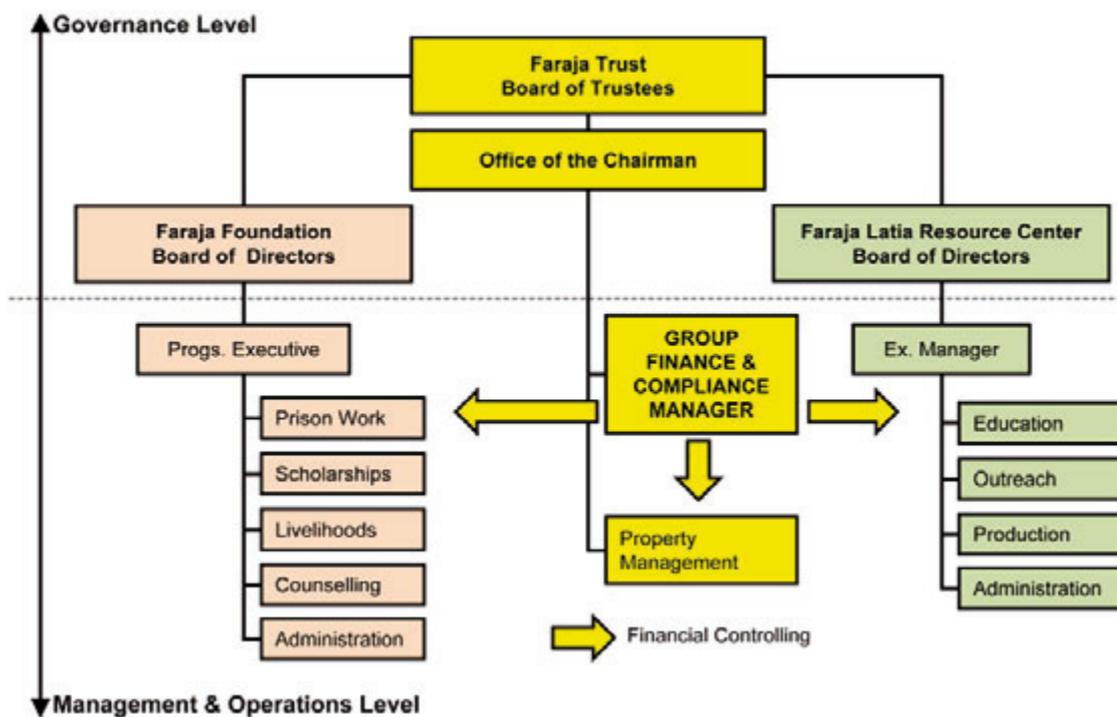
Scholarships (Secondary & Post-Secondary)	254
Humanitarian Aid (average per month)	90
Small Business Support	34
Counselling (incl. Prisons)	414
Skills Trainings in Prisons	552
Entrepreneurship Trainings in Prisons	346
Staff Training Workshops Prisons	430
Group Therapy Sessions in Prisons	100
Apprentices Faraja Latia Farm	30
Short Courses Faraja Latia Farm	191
Water Tank Construction Latia Farm	40
Start-up Support for Small-Scale Farmers	82

Number of Full-Time Employees 50
(as at 31.12.2011)

ADMINISTRATION AND MANAGEMENT

Organizational Development of the Trust

The year 2011 has been marked by a major organizational realignment that is meant to form the basis for the long-term development of the different areas of Faraja’s work. The center of this realignment was to spin out of both the Faraja Latia Farm project as well as the social and humanitarian programmes of the Trust into organizationally and legally independent entities. This move became necessary after the growth in the different programmes over the past years, which had gradually increased the complexity in the management of the Trust. In that sense, the decision to give more autonomy to the respective programmes is designed to create more flexibility without compromising on the control over the Trust’s assets. The graph below shows the new organization structure as per 31st December 2011.



Faraja Trust Organization Chart as per 31st December 2011

The core element of Faraja's new structure is that the Trust will henceforth concentrate on the management of its properties as well as on fundraising activities. Moreover, the Trust will be in charge of the financial controlling and the evaluation of the different programmes. In contrast, the two newly independent entities "Faraja Foundation" and "Faraja Latia Resource Center" will be responsible for Faraja's social and humanitarian programmes and for the agricultural and entrepreneurial trainings offered at the Faraja Latia project.

Despite this transfer of operational responsibilities, the overall governance of the group still lies with the Board of Trustees of Faraja Trust, which consists of the following members:

- _ Peter Muthee, Chairman
- _ Fr. Peter Meienberg
- _ Urs Boehlen
- _ Christoph Meienberg
- _ Fabian Waldmeier

Thereby, the number of Trustees has been reduced to five permanent members after the long-serving Trustees Njambi Kiritu and Rudolf Senn resigned in the course of the year 2011. The remaining Trustees wish to thank their outgoing colleagues for all their personal efforts they have made in serving Faraja over the past five years.

In regard to the entities "Faraja Foundation" and "Faraja Latia Resource Center", the governance function lies with a sub-committee of the Trustees – Fr. Peter Meienberg and Peter Muthee in the case of "Faraja Foundation" and Urs Boehlen and Fabian Waldmeier in the case of the "Faraja Latia Resource Center". Both entities are legally registered as non-profit oriented companies limited by guarantee with Faraja Trust being the controlling member of each company. On the side of the management, the same lies entirely in the hands of Kenyan professionals.



Newly painted walls at Langata Women's Prison



Computer courses at Nairobi Remand and Allocation Prison

SOCIAL AND HUMANITARIAN PROGRAMMES

Faraja Trust aims to support people in crisis situations with both financial but also spiritual and psychological support. The beneficiaries of the Trust's work are prisoners in several penal institutions of Nairobi as well as their families and children, ex-convicts who are supported in their quest to reintegrate into society, single mothers and orphaned children from the nearby slums, refugees and internally displaced people and many more. Apart from the provision of emergency aid, Faraja is attending to its beneficiaries with a highly motivated team of social workers and counsellors. Thereby, trying to find solutions in personal conversations and making people see a way forward in their often hopeless situation is regarded as important as the provision of material aid.

Families and orphaned youngsters are further supported with scholarships mainly for secondary school education with a few high-performers being sponsored for further post-secondary school education. In 2011, more than 250 students benefitted from such scholarships and on average 90 persons per month received various forms of humanitarian aid from the Trust. Individual as well as group counselling sessions were organized and conducted inside and outside of prisons and reached more than 500 beneficiaries. Finally, small businesses start-up grants were given to 34 persons who also attended training in entrepreneurship.

In the prisons, Faraja Trust provided vocational training to over 500 inmates in several fields like ITC, knitting and dressmaking, art and painting or beadary and card making among others. In addition to this, the Trust organized entrepreneurship training sessions for some 350 young men in several youth prisons. Yet, Faraja's programmes are not only benefitting the inmates but also the prison staff. The prison officers are allowed to participate in some of the courses organized by Faraja and in 2011, some 400 officers were trained in various fields including management of inmates in a prison. Such prison staff training workshops, which have been going on since 2007, have recently been evaluated by an external researcher who found them effective and their outcome very encouraging – inmates actually reported that their relationship with the prison wardens who had received training had significantly improved over the past few years.

To improve the capacities of prisons to train inmates, Faraja has financed the construction of training facilities in two men prisons in Nairobi: the large Nairobi remand and allocation prison as well as the Nairobi West prison, which accommodates prisoners serving a medium term. Both these facilities were completed and equipped with furniture and computers in 2011. Faraja also financed the construction of a new sports facility at the Kamiti youth correction and training center. At the women's prison of Langata, Faraja financed the extension of the existing training facilities at the remand section. Also, the women prisoners in this section were allowed to put colourful paintings on the walls of the inner court so as to bring in some joy and colour into their and their children's otherwise grey and dull everyday life.

These children, who are living together with their imprisoned mothers, will be beneficiaries of a major project in 2012 in which Faraja Trust will be financing the construction of a day care center. The facility will enable the children to spend their days in a more humane and child-friendly environment.



Farmer benefitting from the water tank project



Latia students during a farmers field day

FARAJA LATIA RESOURCE CENTER

In Faraja's agricultural training center, another lot of 30 apprenticeship students graduated in 2011 after having been trained in a practical and entrepreneurial course in agriculture. This brings the total number of graduates since the inception of the programme in 2008 to over 80. Most of these trainees have found employment or have gone into self-employment after the completion of their training. The high absorption rate of these graduates in the job market confirms that Faraja's approach of offering practical training rather than academic education in agriculture is indeed working.

The Faraja Latia project is however not just geared towards developing a young farmers generation but also towards improving the welfare of existing farmers from the local population which is mainly made up of traditional livestock-keepers from the Maasai community. In this pastoralist society, it is mainly the women who bear the responsibility of water management and food preparation in the household. For this reason, Faraja has implemented a two-year programme targeting these women. This programme, which entailed a training element as well as the construction of a 10,000 litres water tank, was successfully completed in 2011. A total of 100 neighbouring households could benefit from this project, which enables the women to balance the water needs between domestic consumption, livestock and small gardening.

After having received a basic training in agriculture and livestock production, the participants in this project received some additional training in entrepreneurship in the course of the year 2011. An external evaluation of the project showed that the beneficiaries could significantly increase their production of foodstuff like maize, beans, sweet potatoes but also vegetables and that many of them were actually able to sell their surplus production in the local markets. This has not only increased the household incomes in general but also the financial and hence the societal independence of the women that benefitted from the project. Also, the evaluation has shown that the project has significantly improved water supply in the area as households still depend largely on the scarce – and often polluted – water from the rivers.

One recommendation of the evaluation was however to complement the project with some sort of small business start-up support in order to further strengthen the economic activities of the project participants. Thereby, the focus was proposed to be on small animal husbandry in order to promote integrated mixed farming systems with small livestock keeping and food, fodder and vegetable production at the local level. For this purpose, Faraja organized a series of follow-up courses in the keeping of small livestock like sheep, goats, rabbits or chicken. Once the participants had attended this course, they were to come up with a business plan and based on this, they received a small start-up grant in kind that enabled them set-up small animal production units in their household set-ups. At the end of the programme, over 80 % of the initial participants were actually granted such a start-up support.

All in all, this project contains many of the key aspects that are in the center of the Faraja Latia project: the focus on food security and production for the local market, more sustainable and integrated forms of livestock keeping and the conservation of water, which is becoming even more critical as rainfall patterns in the area have become extremely unpredictable.

Comments

The financial report for the year 2011 shows a small net surplus despite the fact that the income has significantly dropped as compared to the prior year. The main reason for this drop in income was the liquidation of a medium-term investment which had increased the overall income by some 5 Mio. KSH in 2010. This extraordinary income in 2010 stands against a negative income in the same position in 2011. However, this negative income simply represents a donation of movable assets from Faraja Trust to the newly established Faraja Foundation.

A lower level of donations was nearly offset by an increase in property income after the same had significantly dropped in 2010 due to extraordinary costs for renovations as well as extraordinary write-offs. This increased income from properties has largely been used to finance the costs related to the spinning out of the two entities "Faraja Foundation" and "Faraja Latia Resource Center", which is reflected both in the increased administrative costs as well as the direct costs allocated to the agricultural training project.

Project expenses have reduced as compared to the year 2010 mainly due to the fact that there were less specific projects implemented, especially in prisons. The main reason behind the reduced overall costs is however the spinning-out of the Faraja Latia project into an independent entity. Although this entity has generated an operational loss in 2011, the same is not reflected in the financial statement of Faraja Trust. What is reflected in the Trust's statements are the direct costs for the outreach project as well as the apprenticeship courses, management support costs as well as expenses related to the implementation of the spin-off of the project and finally depreciation of immovable assets which are still in the possession of Faraja Trust.

In the balance sheet, this spin-off is reflected in the reduction in property, plant and equipment on one side, and the increase in financial assets on the other side. This shift in assets originates from the fact that all existing assets as well as the financing for all operating investments of the "Faraja Latia Resource Center" have been done on the basis of a long-term interest-free loan whereas the assets transferred to the new "Faraja Foundation" have been given out as a grant. The reason for this difference in approach lies in the nature of the two entities. Whereas the latter is a pure charitable organization with no income-generating potential, the former is meant to become self-sustainable over the next years.

As mentioned in earlier reports, the extremely high cash and cash equivalents in the balance sheet reflected a special grant of 55 Mio. KSH. The condition of this grant was that the equivalent of the same must be accumulated in a special account to be used for future investments into income generating projects. Currently, these funds are invested in fixed-interest bearing deposits. The value of the non-current assets is also quite substantial. This reflects the sustainability of Faraja's projects. On one side, there has been considerable spending for the set-up of the agricultural training institute Faraja Latia Farm. On the other side, there are the investments into income-generating activities. Both elements are meant to ensure the long-term running and financing of the Trust's charitable projects. What is important is the fact that none of these investments were done on externally borrowed funds.

**REPORT OF THE INDEPENDENT AUDITOR
FARAJA TRUST
YEAR ENDED 31 DECEMBER, 2011**

Report on the Financial Statements

We have audited the accompanying financial statements set out on pages 5 to 17 of Faraja Trust which comprise the statement of financial position as at 31 December, 2011 and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.

Responsibility for the Financial Statements

As stated on page 3, the Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted non-profit accounting principles and applicable International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor

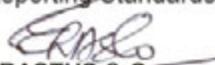
Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, proper books of account have been kept and the accompanying financial statements, give a true and fair view of the financial position of Faraja Trust as at 31 December, 2011 and of its financial performance and its cash flows for the year then ended in accordance with generally accepted non-profit accounting principles and applicable International Financial Reporting Standards.


ERASTUS & Co.
Certified Public Accountants
Erastus K. Omolo



Nairobi 10 August, 2012

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