

Accounts for the Fiscal Year 2017 – 2018

(1st September 2017 – 31st August 2018)

Summarised, simplified and annotated; based on the presentation at the
Annual General Meeting on 30th March 2019

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1. Summary for the year

Highlights of this fiscal year:

- A significant increase in the number of children in the PSE programmes

- The acceleration of Cambodia's economic growth resulting in higher staff turnover and strong wage pressure, also marked by the gradual establishment of a social security system in Cambodia
- The reduction, as expected, in funds raised after last year's exceptional increase due to the release of the film "Les Pépites" (Little Gems).

Revenue

Total operating resources, excluding financial income and foreign exchange gains, amounted to €8,338K in 2017-2018, down 3% compared to the previous year.

The decrease was most strongly seen in the amount of one-off non-restricted donations (-21%) and to a lesser extent in the miscellaneous revenue of the Charity (-12%).

Conversely, the sponsorships that ensure of the care of children in the long-term increased by 3% to €4,872K.

Funds committed to investments and projects amounted to €433,000. This was an increase of 11% relative to the last year, it is in-line with the level of investment approved by the Board of Directors.

Expenditure

The cost of social missions in Euros (€5,656K) increased 5% over the year. This increase is mainly due to the sharp rise in the number of children in the programmes (+732) and the wage pressures in Cambodia for the reasons outlined above.

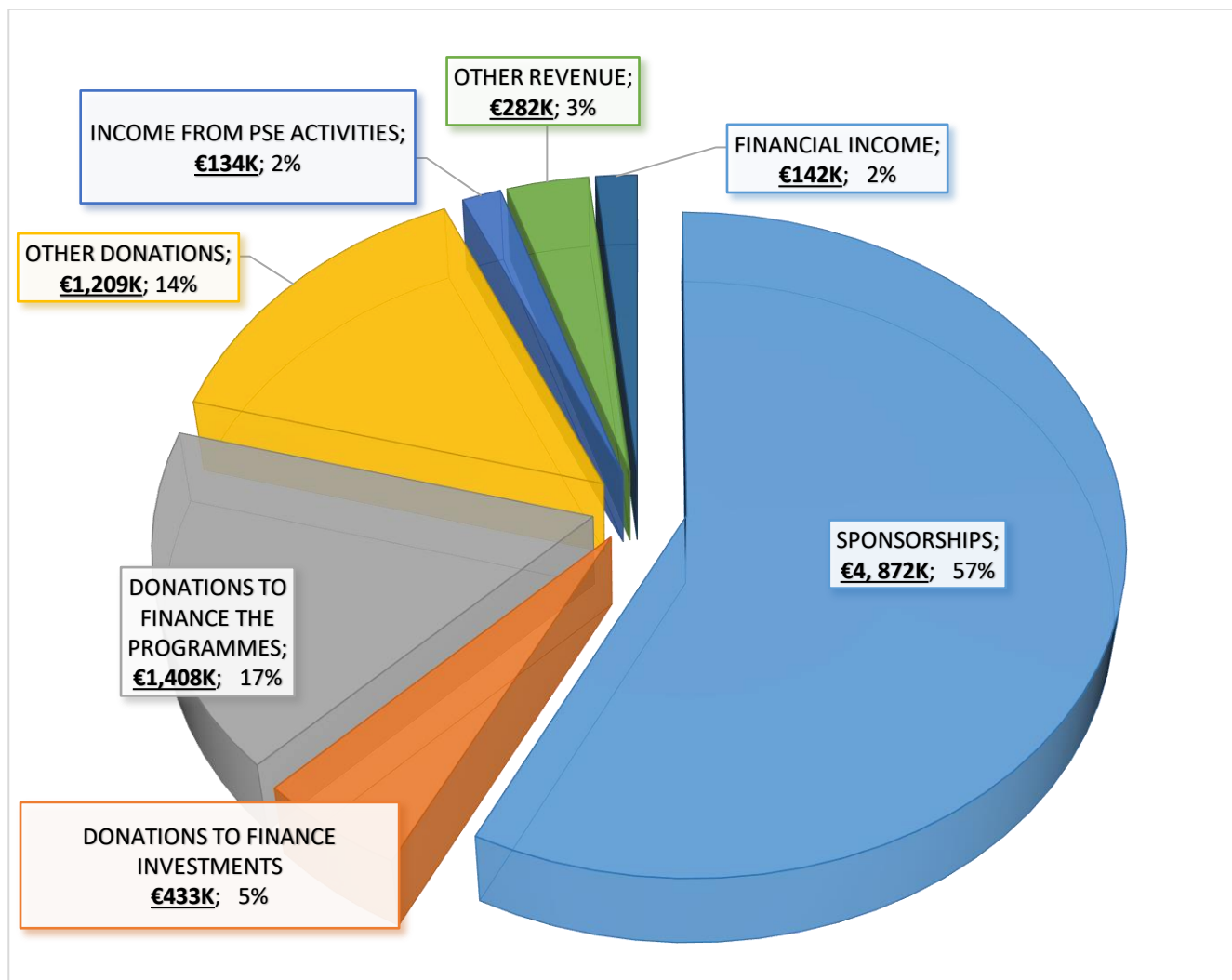
Overheads (€501K) and fundraising expenses (€101K) represent a total of €602K, representing 9.6% of operating costs, a reduction of 4% compared with last fiscal year.

Taking into account all of the above, the surplus for this fiscal year came to €850K.

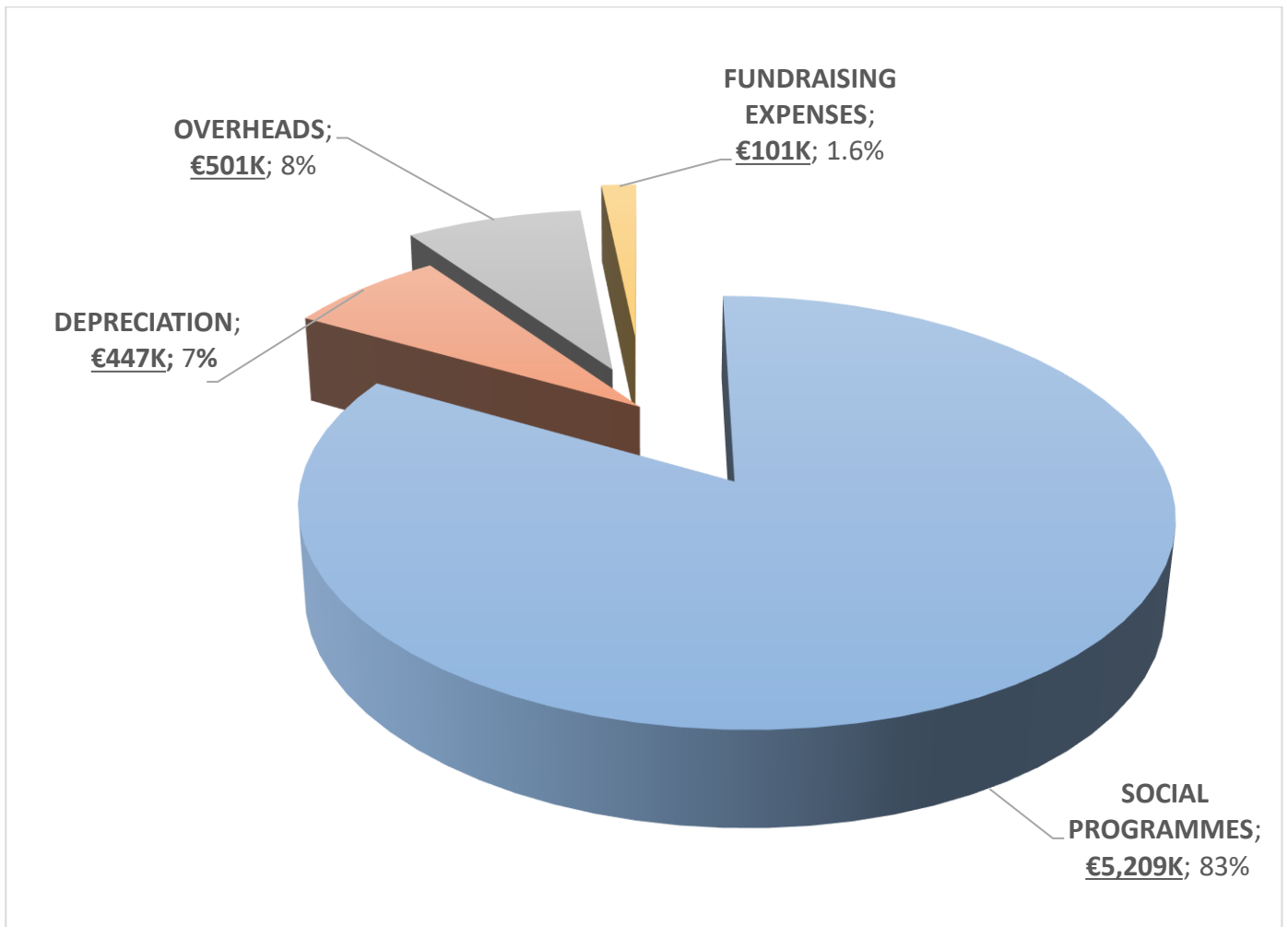
2. Financial Statements

INCOME STATEMENT (€K)							
DEBIT				CREDIT			
	2016-2017	2017-2018	%		2016-2017	2017-2018	%
PROGRAMME SPENDING	5,042	5,209	3.3%	SPONSORSHIP	4,737	4,872	3%
DEPRECIATION	335	447	33.3%				
SOCIAL PROGRAMMES	5,377	5,656	5.2%	DONATIONS TO FINANCE THE PROGRAMMES	1,488	1,408	-5%
OVERHEADS (incl. Fundraising expenses)	626	602	-4%				
Overheads as %of Costs	10.4%	9.6%		INCOME FROM PSE ACTIVITIES	145	134	-8%
SUB-TOTAL	6,003	6,258	4%	SOUS-TOTAL	6,370	6,415	1%
				DONATIONS TO FINANCE INVESTMENTS	392	433	11%
				OTHER DONATIONS	1,524	1,209	-21%
NET WRITE DOWN TO PROVISIONS	980	1,373		OTHER REVENUE	321	282	-12%
TOTAL EXPENSES	6,983	7,630	9%	TOTAL REVENUE	8,606	8,338	-3%
				FINANCIAL INCOME	28	95	
				FX PROFIT/(LOSS)	32	47	
				SURPLUS FOR THE YEAR	1,683	850	

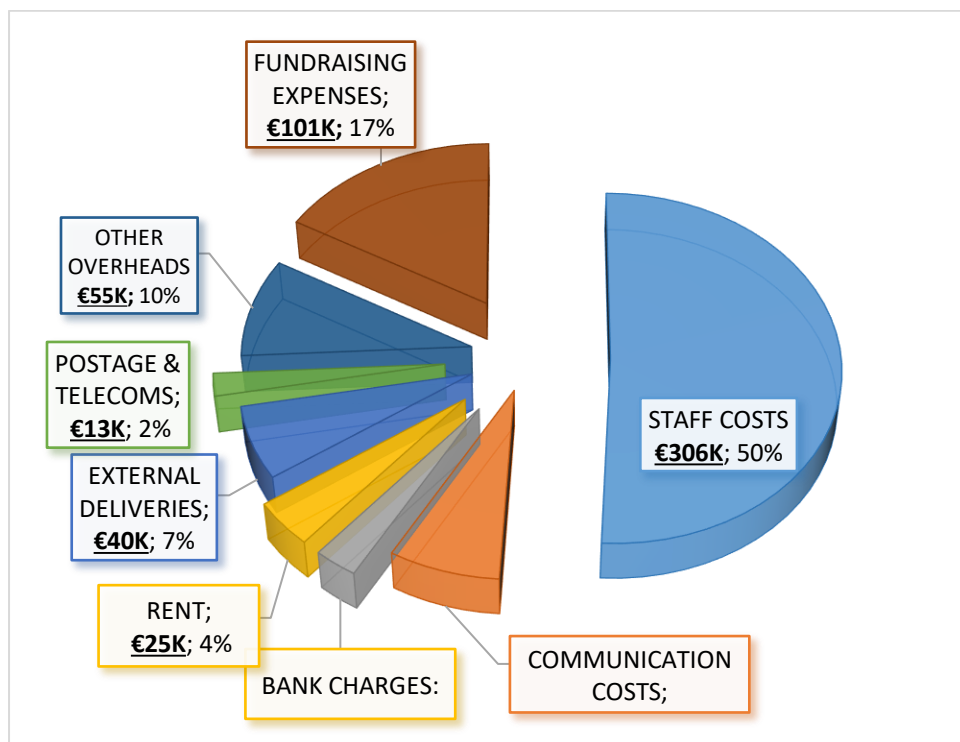
Breakdown of Revenue for Operations & Investments
Total: €8,480K



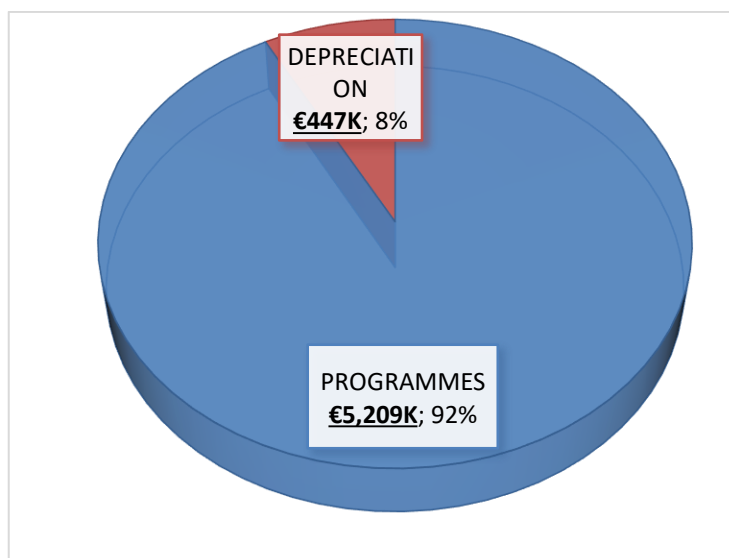
Breakdown of Expenditure by Function
Total: €6,258K



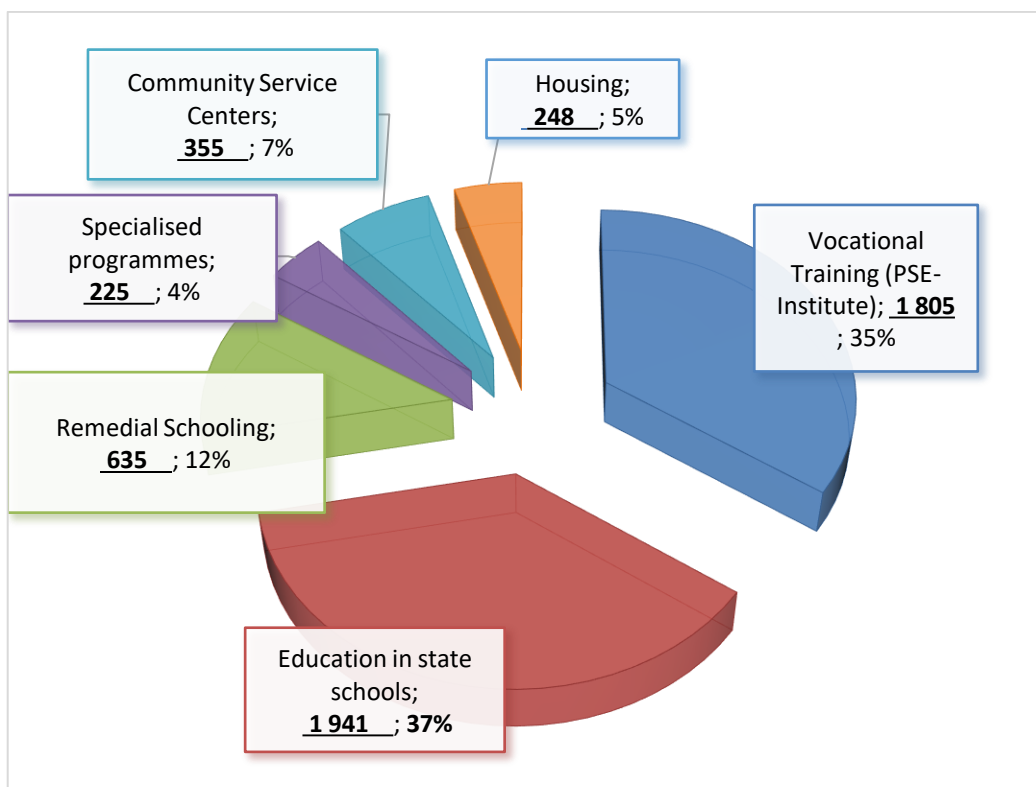
**Overheads €501K and Fundraising Expenses €101K
Total: €602K**



**Overall Cost of the programmes in Cambodia
Total: €5,656K**



Cost of the programmes in Cambodia
Total : 5,209K€



Summary Balance Sheet

ASSETS		
(K EUROS)	2016-2017	2017-2018
COMPUTER SOFTWARE	180	182
BUILDINGS ON LEASEHOLD LAND	14	14
VEHICLES, MATERIALS, OTHER EQUIPMENT	2,940	3,339
SHAREHOLDINGS & LOANS	12,496	13,001
DEPRECIATION & PROVISIONS <i>(Provisions at 80% of gross amount)</i>	-12,657	-13,470
NET CAPITAL	2,973	3,065
STOCKS & DEBTORS	28	28
OTHER CURRENT ASSETS	486	404
TREASURY	11,344	13,246
PREPAID EXPENSES	45	32
TOTAL ASSETS	14,875	16,775

LIABILITIES		
(K EUROS)	2016-2017	2017-2018
RESERVE FOR DROP IN OPERATING REVENUES	5,376	5,926
RESERVE FOR INVESTMENTS	500	900
RESERVE FOR EXCHANGE RATE MOVEMENTS	1,025	1,025
RESERVE FOR ESTABLISHMENT OF SPONSORSHIP FUND	746	0
TOTAL RESERVES	7,647	7,851
RETAINED EARNINGS	821	854
SURPLUS FOR YEAR	1 683	850
TOTAL EQUITY	10,150	9,554
LONG-TERM SICKNESS SOLIDARITY FUND		200
PROVIDENT FUND TO SUPPORT THE DIASBLED WHEN THEY BECOME ADULTS		500
SPONSORSHIP FUNDS	3,516	4,886
RESTRICTED FUNDS FOR INVESTMENTS	312	242
RESTRICTED FUNDS FOR PILOT PROJECTS	132	112
TOTAL RESTRICTED FUNDS	3,959	5,240
PROVISIONS FOR RISKS		396
OTHER DEBTS	318	427
CURRENCY CONVERSION IMPACT - LIABILITIES	448	458
TOTAL LIABILITIES	14,875	16,775

3. Provisions and Reserves

Over the years, the Charity has gradually built up reserves to meet its future needs and manage risks and expected developments. Before applying the current year's surplus, they amount to €7,851K.

- **Reserve for Drop in Operating Revenues**

With over 600 employees in Cambodia and 6,550 children in the programmes during fiscal year 2017/2018, the annual operating budget is now around €6.3 million. The Charity must ensure it can meet its commitments and protect itself against possible cuts and/or changes in the timing of revenue or lower levels of sponsorship than those it has become used to in recent years.

The reserve for a Drop in Operating Revenues amounts to €5,926K at the end of the fiscal year and covers approximately 11 months of operations.

- **Reserve to protect against adverse exchange rate movements**

Established in 2015, this reserve of €1,025K is intended to protect the Charity from the consequences of the rapid appreciation of the dollar against the Euro, which is likely to last. It should be noted that the bulk of the Charity's funding is in Euros and that more than 91% of its expenditure is made in Cambodia in U.S. dollars.

- **Investment Reserve**

This reserve was increased to €900,000 to enable the Charity to quickly mobilise funds, particularly for land acquisitions necessary for its development.

- **Long-term sickness solidarity fund (€200K)**

This fund is intended to cover part or all medical expenses beyond the existing insurance coverage for patients of our families or our staff suffering from serious illnesses and high-cost medical expenses.

- **Provident Fund to Support the Disabled when they become adults (€500K)**

This fund will provide care for our disabled children once they become adults.

- **Sponsorship Fund**

The balance of the sponsorship fund has been increased to €4,886K as €624K was allocated from the surplus for the year.

- **Restricted Funds**

These funds represent the funding received from donors for investment projects or pilot projects that have been approved by the Board but not yet completed.

Restricted funds for investment amounted to €242K at the end of the fiscal year and restricted funds for pilot projects amounted to €112K.

4. Allocation of the Surplus

The Annual General Meeting approved the following allocation of the surplus of €850,063 as follows:

(EUROS)	Balance 31/08/2018	Reallocation	Allocation of Surplus 31/08/2018	Balance after Allocation
RESERVE FOR DROP IN OPERATING REVENUES (*)	5,925,500			5,925,500
RESERVE FOR INVESTMENTS	900,000		500,000	1,400,000
EXCHANGE RATE RESERVE	1,025,000			1,025,000
LONG-TERM SICKNESS SOLIDARITY FUND	200,000			200,000
PROVIDENT FUND TO SUPPORT THE DIASBLED WHEN THEY BECOME ADULTS	500,000		300,000	800,000
CONVERSION DIFFERENCE ON LIABILITIES	278,555	-278,555		
CONVERSION DIFFERENCE ON CAPITAL	154,970	-154,970		
RETAINED EARNINGS	820,543	433,525	50,063	1,304,130
	9,804,567	0	850,184	10,654,630

5. Capital

In 2008, we created a Cambodian-registered company, PSEC, that now owns the real estate, the land and buildings, on which PSE operates. PSE has a 49% shareholding in PSEC and has control of the property, though due to restrictions in Cambodian Law it cannot be a majority shareholder. The other shareholders have Cambodian nationality. They are essentially the founders, Marie-France and Christian des Pallières, who was replaced by Leakhena des Pallières, director of PSE's Social Department, after Christian died. Leakhena is the adopted daughter of the des Pallières.

Transfer of ownership of the land and buildings to PSEC took place in 2010.

Property acquired since that date has been bought by PSEC using loans from PSE, and during construction it is accounted for by PSE within current assets and then transferred to PSE upon completion according to agreed accounting and financial procedures.

On PSE's balance sheet, the concessions of land have been replaced with equity in PSEC and mortgages to the founders, recognising the fact that the land was originally bought by PSE.

The property portfolio is fully supported by the new company PSEC, which leases the land and buildings to PSE under a tenancy agreement.

6. Treasury

Treasury management includes:

- managing current cash flow, sustained by sponsorships and donations, which enables approximately \$500K to be sent to Phnom Penh per month to cover spending on the social programmes and other expenses.
- managing the funding from donors and sponsors for major investment projects, such as the construction of the Management & Sales School that is underway. Any funds that are not used immediately are ring-fenced within the restricted funds to ensure they are used in accordance with the wishes of the donors.

7. Report of the Commissaire aux Comptes

- To come