

Accounts for the Fiscal Year 2014 – 2015

(1st September 2014 – 31st August 2015)

Summarised, simplified and annotated; sourced from the presentation to the
Annual General Meeting on 19th March 2016

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1. Summary for the year

The year was marked by the rapid decline of the euro against the US dollar (down 16% on average) which weighed heavily on our costs.

Most of our income is from the Eurozone while over 90% of our expenditure is in Cambodia in US Dollars. Therefore, the appreciation of the dollar has inflated our costs in euros.

The impact was partially mitigated through currency hedges put in place during previous years.

Revenue

The operating resources, excluding financial and foreign exchange gains amounted to €6,941K in 2014-2015, an increase of 4% over the previous year.

Sponsorships – that assure the long-term care of the children – decreased 2% to €4,112.

The financing of the social programmes in Cambodia, which is sourced from sponsorship and attributed donations, had to be supplemented by non-attributed donations.

Investments and projects, predominately the construction of the new Business School building, totalled €706K.

Expenditure

The cost of the social programmes (€5,716K) increased by 9%, which was far lower than the rising dollar (+16%). A slight decrease in the number of children looked after over the year (- 271) and efficiency savings in Phnom Penh (-\$290K) have offset some of the impact of the unfavourable exchange rate.

Careful cost control has ensured overheads (€464K) and fundraising (€95K) are only 7% and 2% of expenses respectively.

All in all there was a surplus of €500K for the fiscal year.

2. Financial Statements

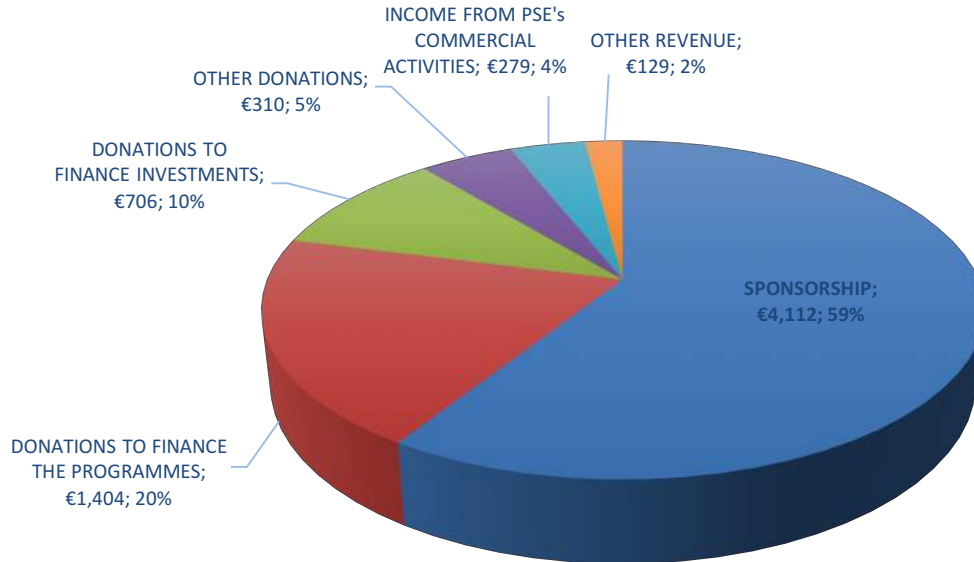
Simplified Income Statement

(€ 000)

OPERATING ACCOUNTS							
DEBIT				CREDIT			
	2013-2014	2014-2015	%		2013-2014	2014-2015	%
SOCIAL PROGRAMMES	5,253	5,716	9%	SPONSORSHIP	4,192	4,112	-2%
OVERHEADS (incl. Fundraising expenses)	490	559	14%	DONATIONS TO FINANCE THE PROGRAMMES	871	1,404	61%
% of expenses	8.5%	8.9%		DONATIONS TO THE SPONSORSHIP FUND	23	1	
SUB-TOTAL	5,743	6,274	9%	SUB-TOTAL	5,086	5,517	8%
AMORTISATION OF FIXED ASSETS	289	404		DONATIONS TO FINANCE INVESTMENTS	957	706	-26%
				OTHER DONATIONS	210	310	48%
				INCOME FROM PSE'S COMMERCIAL ACTIVITIES	221	279	26%
				OTHER REVENUE	209	129	-38%
TOTAL EXPENSES	6,033	6,679	11%	TOTAL REVENUES	6,683	6,941	4%
OPERATING INCOME					651	262	
NET LOSS ON PROVISIONS / DEDICATED FUNDS	214	588		FINANCIAL INCOME	94	71	
				NET EXCHANGE RATE GAINS		755	
				SURPLUS FOR THE YEAR	531	500	-6%

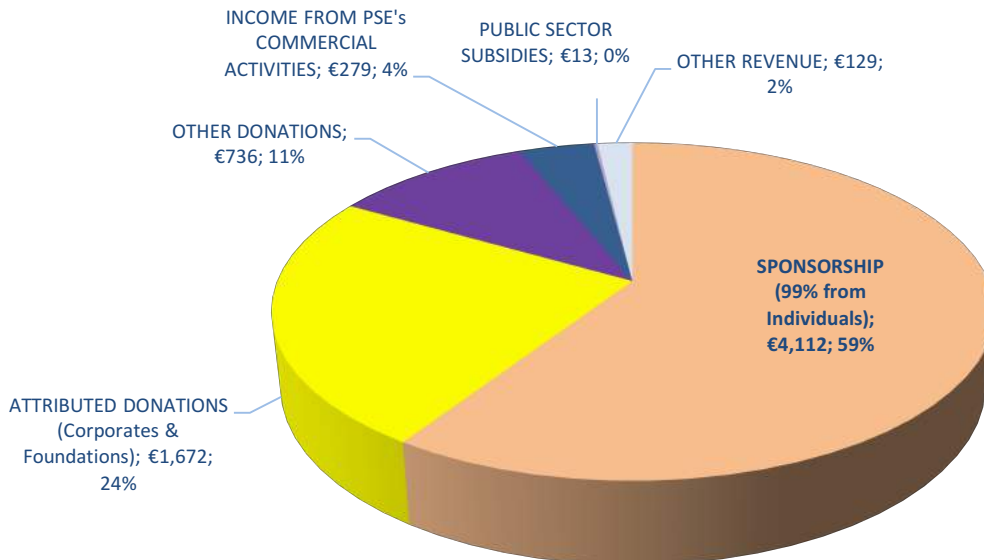
Breakdown of Revenue by Type

Total: €6,941K



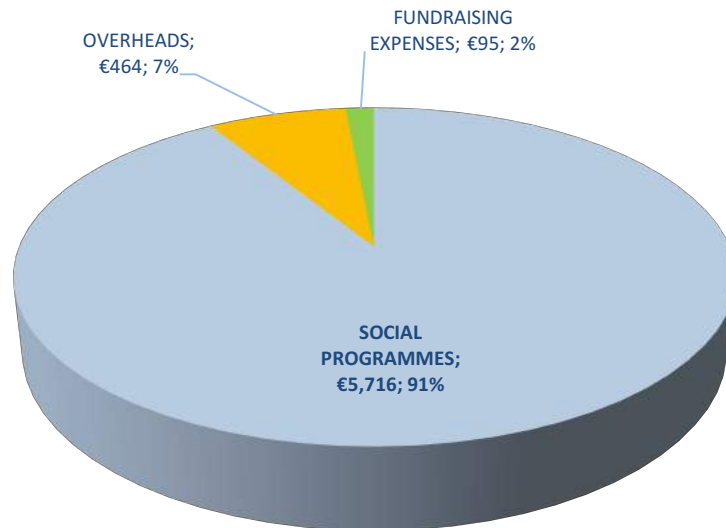
Breakdown of Revenue by Source

Total: €6,941K



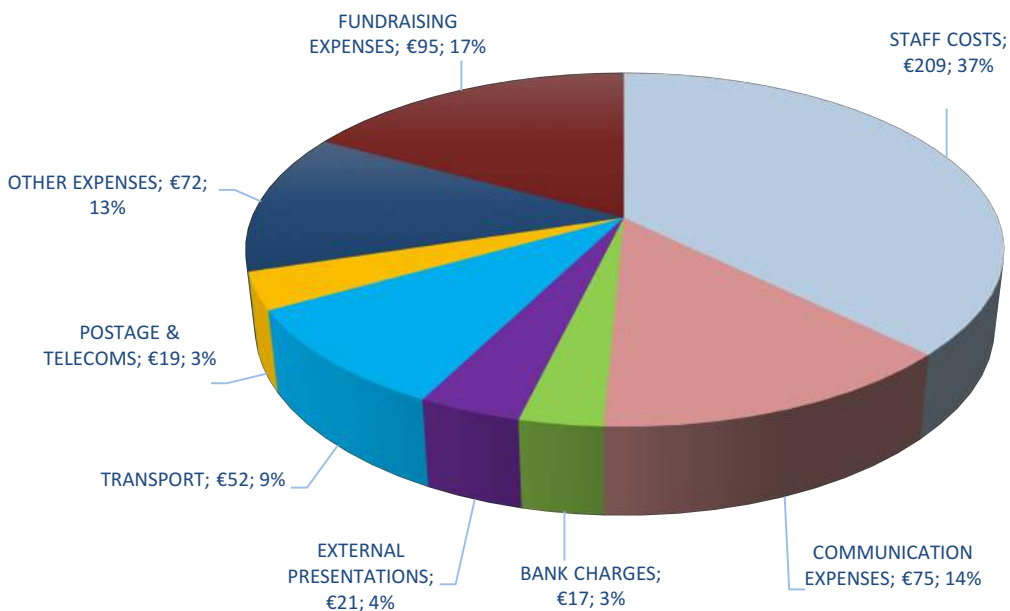
Breakdown of Expenditure by Function

Total: €6,275K



Breakdown of Overheads & Fundraising

Total: €559K



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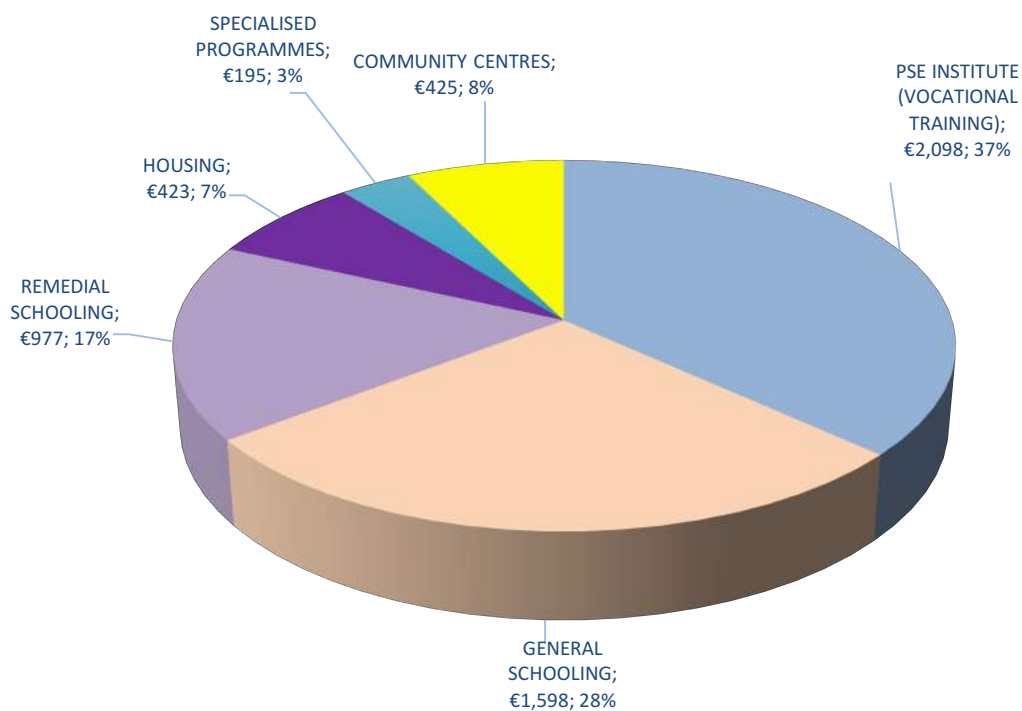
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Cost of the Programmes in Cambodia

Total: €5,716K



Summary Balance Sheet

ASSETS			LIABILITIES		
(€ 000)	2013-2014	2014-2015	(€ 000)	2013-2014	2014-2015
COMPUTER SOFTWARE		59	RESERVE FOR DROP IN OPERATING REVENUES	5,031	5,031
BUILDINGS ON LEASEHOLD LAND	14	14	RESERVE FOR INVESTMENT	500	500
INVESTMENTS & LOANS	10,388	10,629	RESERVE FOR EXCHANGE RATE MOVEMENTS	0	530
PROVISIONS (Provisions for Investments & Loans at 80% of gross amount)	-8,134	-8,519	RESERVE FOR ESTABLISHMENT OF SPONSORSHIP FUND	746	746
NET CAPITAL	2,267	2,183	TOTAL RESERVES	6,277	6,807
STOCKS & DEBTORS	20	17	RETAINED EARNINGS	812	813
OTHER ASSETS	449	272	SURPLUS FOR YEAR	531	500
PSEC CURRENT ACCOUNTS	2,256	3,019	SPONSORSHIP FUNDS	2,543	2,544
PROVISIONS	-1,805	-2,415	DEDICATED FUNDS FOR INVESTMENT	1,067	1,039
PSEC CURRENT ACCOUNTS (NET)	451	604	DEDICATED FUNDS FOR PILOT PROJECTS	91	96
			TOTAL DEDICATED FUNDS	3,701	3,679
TREASURY	8,133	8,722			
TOTAL ASSETS	11,320	11,798	TOTAL LIABILITIES	11,320	11,798

3. Provisions & Reserves

Over the years, the PSE has gradually built up reserves to meet its future needs and manage risks and expected developments. They amount to a total of €6,807K (see balance sheet above), in addition there are unallocated retained earnings of €813K.

- Reserve for Drop in Operating Revenues

With over 600 employees in Cambodia and 6,700 children in the programmes during fiscal year 2014/2015, the annual operating budget is now around €6 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 €5,031K at the end of the fiscal year and covers approximately 10.5 months of operating costs.

- **Sponsorship Fund**

The sponsorship fund has remained at a stable level of €2,544K.

- **Dedicated 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.

Dedicated funds for investment amounted to €1,039K at the end of the year, and dedicated funds for pilot projects amounted to €96K.

4. Income Allocation

The Annual General Meeting approved the following allocation of the surplus of € 499,805 as follows:

	Balance as at 31/08/2015	Allocation of Surplus 31/08/2015	Balance after Allocation
RESERVE FOR INVESTMENT	€500,000		€500,000
RESERVE FOR DROP IN OPERATING REVENUES ^(*)	€5,030,500		€5,030,500
RESERVE FOR EXCHANGE RATE MOVEMENTS	€530,000	€495,000	€1,025,000
RESERVE FOR ESTABLISHMENT OF SPONSORSHIP FUND	€746,000		€746,000
RETAINED EARNINGS	€813,056	€4,805	€817,861
	€7,619,556	€499,805	€8,119,361

In 2015 PSE decided to create a reserve to mitigate the impact of the rapid rise in the dollar against the euro, whose effect is expected to be lasting. We must remember that most of our income is from the Eurozone while over 91% of our expenditure is in Cambodia in US Dollars

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.

(*) = 10.5 months Operating Costs of the Social Programmes 2014 - 2015

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, during construction it is accounted for by PSE within current assets and then transferred to PSEC 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 \$500,000 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 Business School that is underway. Any funds that are not used immediately are ring-fenced within the dedicated funds to ensure they are used in accordance with wishes of the donors.