

PHARE PONLEU SELPAK

**Financial Statements
for the year ended 31 December 2019
and
Report of Independent Auditors**

Organisation document	Phare Ponleu Selpak (“PPS” or “the Organisation”) was established under the letter No. 391 issued by the Ministry of Interior on 25 April 2002	
Office address	Anh Chanh Village, Ochar Commune, Battambang Province	
Donors	Phare Ponleu Selpak France (“PPSF”) Norec (formerly known as FK Norway) EU Aid Voice – Oxfam Cambodia Altamane	
Board of Directors	Ms. Benedict Ravel Ms. Janna EP Mr. Dara Hout Mr. Patrick Labelle Mr. Ly Daravuth	Chairperson Member Secretary Member Member
Management team	Mr. Osman Khawaja Ms. Vong Phanat Mrs. Ly Kanha	Executive Director (appointed on 5 July 2017) Head of Finance (resigned on 30 April 2020) Head of Finance (appointed on 01 May 2020)
Principal bankers	Aceda Bank Plc. Canadia Bank Plc. WB Finance Co., Ltd. ABA Bank Ltd.	
Auditors	Morison Kak & Associes	



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STATEMENT BY THE MANAGEMENT

I, the undersigned, do hereby state that in my opinion, the accompanying financial statements of Phare Ponleu Selpak (“PPS” or the “Organisation”) which comprise the statement of financial position as at 31 December 2019 and the statement of income and expenditure for the year then ended, as set out on pages 4 to 13 are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Signed on behalf of the management

Mr. Osman Khawaja
Executive Director

Date: 26 June 2020



REPORT OF INDEPENDENT AUDITORS TO THE MANAGEMENT AND DONORS OF PHARE PONLEU SELPAK

Opinion

We have audited the accompanying financial statements of Phare Ponleu Selpak (“PPS” or the “Organisation”) which comprises the statement of financial position as at 31 December 2019 and the related statement of income and expenditure for the year then ended and notes, comprising significant accounting policies and other explanatory information (the “financial statements”), as set out on pages 4 to 13.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, 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.

Emphasis of Matter - Basis of Accounting and Restriction on Use and Distribution

We draw attention to Note 2 to the financial statements which describe the basis of accounting and the accounting policies adopted by the Organisation. The financial statements are prepared for the information of and use by the Donors and management of the Organisation. As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for the Donors and management of the Organisation and not for other purposes. The restriction on use does not limit the disclosure or distribution of our report if such disclosure or distribution is required by laws and regulations. Our opinion is not modified in respect of this matter.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organisation’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 management either intends to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation’s financial reporting process.





**REPORT OF INDEPENDENT AUDITORS
TO THE MANAGEMENT AND DONORS OF PHARE PONLEU SELPAK (continued)**

Auditors' 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 auditors' 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 CISAs 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.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Morison Kak & Associés
Certified Public Accountants
Independent Auditors


Saksom Meas
Managing Partner
26 June 2020



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019		2018
		USD	KHR'000	USD
ASSETS				
Cash and bank balances	3	731,307	2,963,256	812,350
Other receivables	4	188,344	763,170	86,040
Investment in PPSE	5	472,044	1,912,722	472,044
		1,391,695	5,639,148	1,370,434
LIABILITIES				
Other payables	6	268,006	1,085,960	382,713
NET ASSETS		1,123,689	4,553,188	987,721
<i>Represented by:</i>				
Fund balance at end of the year		1,123,689	4,553,188	987,721

The accompanying notes form an integral part of these financial statements.

**STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019		2018
		USD	KHR'000	USD
Income				
Corporations	7	20,003	81,052	24,410
Foundations / Organizations	8	438,948	1,778,617	347,233
Individuals	9	106,288	430,679	96,668
Sales revenue	10	275,876	1,117,850	342,561
Phare Performing Social Enterprise	11	436,482	1,768,625	269,391
Other income	12	31,151	126,224	36,451
		1,308,748	5,303,047	1,116,714
Expenditure				
Personnel and related costs	13	639,338	2,590,598	513,977
Administration expenses	14	47,710	193,321	24,148
Expenses from activities and projects	15	257,543	1,043,564	239,839
Legal and professional fees	16	70,444	285,439	5,450
Cost of sales of boutique and F & B		18,051	73,143	32,245
Partner project expenses	17	39,920	161,756	-
Non-expendable equipment	18	84,493	342,366	115,990
Taxes paid		15,282	61,923	1,448
		1,172,781	4,752,110	933,097
Excess of income over expenditure		135,967	550,937	183,617
Fund balance at beginning of the year		987,721	4,002,245	804,104
Fund balance at end of the year		1,123,688	4,553,182	987,721

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Background

The PHARE (Patrimoine Humain et Artistique des Réfugiés et de leurs Enfants) was founded in 1986 in Site 2 Camp, running the activities of drawing instruction to the children.

In 1994, a group of senior students from the Site 2 camp of PHARE opened the dwelling-place located in Anchanh Village, Ochar Commune, Svaypor district, Battambang Province. With the opening of the arts centre, PHARE amended its name to Phare Ponleu Selpak in 1998.

In 2002, Phare Ponleu Selpak (the “Organisation”) had been registered with the Ministry of Interior of Cambodia as a non-profit and non-political association with office at the above address.

At present, the Organisation has major activities as follows:

- Formal education: its aims to promote children’s access to their rights of which education is a key issue. Promoting access to formal education includes the availability of a school, which is free of charge, the development of a high teaching standard and the availability of school materials combined with complementary sources of knowledge including books.
- Social action: its aims to enforce child rights through delivering social services to the most vulnerable. The Organisation is aware that it is impossible for children to follow educative and cultural activities without their basic life needs being fulfilled. The Organisation’s social services support these needs in order to ensure children have access to their other rights.
- Circus: the circus school has welcomed kids and teenagers to be trained all day long in several circus disciplines: acrobatics, juggling, balancing, contortion, trapeze and clowning.
- Theatre: a natural division occurred within the circus with some members preferring a more physical approach, while others displayed an aptitude for theatre and the performing arts.
- Music: through the music school’s wide range of activities, its pupils can adapt their musical talents to a number of different settings. Musicians are also trained in traditional Khmer music making them able to perform during traditional ceremonies (funerals, pagodas, weddings) but also in modern rhythms with contemporary musical instruments. This enables them to mix their knowledge of traditional music with new beats.
- Visual arts: The first artistic school and the start of the Organisation. Welcoming all children and young adults, the visual arts school enjoys a high reputation in Cambodia and has started to develop activities abroad. Exhibitions have taken place throughout Cambodia, in hotels and cultural centres but also in Thailand and France. The Organisation’s visual arts school is involved in set design and making costumes. It has also decorated many orphanages, schools and other buildings for children.

As at 31 December 2019, the Organisation had 111 employees (2018: 115 employees).

Notes to the financial statements for the year ended 31 December 2019 (continued)

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Organisation in the preparation of these financial statements.

(a) Basis of preparation

The financial statements, which are expressed in United States Dollars (“USD”), have been prepared in accordance with a modified cash receipts and disbursements basis of accounting. This is a basis of accounting that is designed to meet the requirements of the Organisation; it is not designed to produce financial statements that are compatible with Cambodian International Financial Reporting Standards.

(b) Cash advances

Cash advances are initially recognised as receivables in the statement of financial position and only recognised as expenditure when they have been liquidated by supporting invoices.

(c) Investment in PPSE

Investment in PPSE is recorded at cost in the statement of financial position until cash is received.

(d) Other payables

Other payables are recorded at cost in the statement of financial position until they are settled.

(e) Income

Income from corporate, individuals, sales, and other sources is recognised received in cash rather than when earned.

Fund receipts are recognised as liability (deferred grant income) and the income is recognised based on the actual cost spent by the Organisation by transferring the amount from liability.

(f) Non-expendable equipment

The cost of non-expendable equipment is charged to statement of income and expenditure upon acquisition. For control and management purposes, a memorandum account for non-expendable equipment is maintained by way of a non-expendable equipment listing.

(g) Foreign currency transactions

The Organisation transacts its business primarily in USD and maintains its accounting records in USD. Transactions in currencies other than USD are converted into USD at the rates of exchange prevailing on the transaction dates. Monetary assets and liabilities denominated in currencies other than USD are translated into USD at the open market rates of exchange ruling at the year ended date. Exchange differences are recognised in the statement of income and expenditure.

Notes to the financial statements for the year ended 31 December 2019 (continued)

2. Summary of significant accounting policies (continued)

(h) Presentation in Khmer Riel

The financial statements are stated in USD. The translations of USD amounts into Khmer Riel are included solely for meeting the presentation requirements pursuant to various Cambodian laws and regulations and have been made using the prescribed official average exchange rate of USD 1 to KHR 4,052 published by the General Department of Taxation on 31 December 2019 (31 December 2018: USD 1 to KHR 4,045). These convenience translations should not be construed as representations that the USD amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

3. Cash and bank balances

	2019		2018
	USD	KHR'000	USD
Cash on hand	4,319	17,501	3,511
Cash at banks	626,988	2,540,555	708,839
Cash and cash equivalents	631,307	2,558,056	712,350
Term deposit with maturity more than 3 months (*)	100,000	405,200	100,000
	731,307	2,963,256	812,350

(*) In 2019, Phare Ponleu Selpak placed deposit amount of USD 100,000 at interest of 7.50% per annum at WB Finance Co., Ltd for the period from 18 July 2019 to 20 July 2020.

4. Other receivables

	2019		2018
	USD	KHR'000	USD
Advances to partners	144,349	584,902	66,034
Accounts receivable	22,787	92,333	11,271
Staff advance	5,205	21,091	2,190
Others	16,003	64,844	6,545
	188,344	763,170	86,040

Notes to the financial statements for the year ended 31 December 2019 (continued)

5. Investment in PPSE

In 2013, Phare Ponleu Selpak (“PPS” or “the Organisation”) transferred its tangible assets to Phare Performing Social Enterprise Co., Ltd. (“PPSE” or “the Company”) amounting to USD 286,710 as equity contribution in kind in accordance with the provision of the Memorandum and Articles of Association dated 30 October 2013.

In 2015, PPS injected additional capital contribution in cash of USD 129,020 which increased the total investment in PPSE’s equity capital from USD 268,710 to USD 415,730 representing 71.10% of the PPSE’s registered share capital in accordance with the letter approved by the Ministry of Commerce on 7 October 2015.

In 2018, Phare Ponleu Selpak Association injected share capital amounting to USD 56,314 which increased the total investment in PPSE to USD 472,044 representing 73.60% of the Company’s share capital in accordance with the letter approved by the Ministry of Commerce on 6 April 2018.

6. Other payables

	2019		2018
	USD	KHR’000	USD
Amount due to Grants	194,935	789,877	380,643
Taxation	5,732	23,226	970
Others	67,339	272,858	1,100
	268,006	1,085,960	382,713

7. Corporations

	2019		2018
	USD	KHR’000	USD
International	13,316	53,956	24,410
Local	6,687	27,096	-
	20,003	81,052	24,410

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. Foundations / Organizations

	2019		2018
	USD	KHR'000	USD
Phare Ponleu Selpak France	80,862	327,653	110,319
Fund for Partners	63,790	258,477	-
Norec (formerly known as FK Norway)	60,120	243,606	45,592
EU Aid	57,135	231,511	-
Voice – Oxfam	14,078	57,044	-
Altamane	12,212	49,483	-
EU Performing Arts	-	-	92,698
UNESCO Funds	-	-	19,521
Agence Française de Développement	-	-	8,235
Others	150,751	610,843	70,868
	438,948	1,778,617	347,233

9. Individuals

	2019		2018
	USD	KHR'000	USD
PPSE Big Top Shows (donations)	42,904	173,847	68,963
PPS Big Top Shows (donations)	11,875	48,118	12,320
Local Community (donations)	2,857	11,577	1,844
Individuals monthly recurring	132	535	3,657
Others	48,520	196,602	9,884
	106,288	430,679	96,668

10. Sales revenue

	2019		2018
	USD	KHR'000	USD
Big Top shows	154,942	627,826	173,740
External shows / Events	52,796	213,929	49,741
Boutique	28,426	115,182	36,256
Internal workshops / Events	20,088	81,397	57,101
Food & beverage	12,602	51,063	17,129
Visitors tickets	7,022	28,453	8,594
	275,876	1,117,850	342,561

Notes to the financial statements for the year ended 31 December 2019 (continued)

11. Phare Performing Social Enterprise

	2019		2018
	USD	KHR'000	USD
PPSE Dividends	309,055	1,252,291	188,740
PPSE Royalties	127,427	516,334	80,651
	436,482	1,768,625	269,391

12. Other income

	2019		2018
	USD	KHR'000	USD
Rental service income	20,018	81,113	23,046
Interest income	8,000	32,416	13,405
Others	3,133	12,695	-
	31,151	126,224	36,451

13. Personnel and related costs

	2019		2018
	USD	KHR'000	USD
Staff salaries	559,064	2,265,327	476,771
Staff travelling costs related to admin & activities	35,740	144,818	5,324
Staff insurance	25,033	101,435	23,670
Staff training & development	7,648	30,990	8,212
Other personnel costs	11,853	48,028	-
	639,338	2,590,598	513,977

14. Administration expenses

	2019		2018
	USD	KHR'000	USD
Utilities	22,545	91,352	10,069
Repair & maintenance	7,727	31,310	-
Bank charges	2,214	8,971	1,807
Office stationeries & supplies	2,182	8,841	2,738
Other insurance	1,303	5,280	-
Postal services	308	1,248	-
Other administrative costs	11,431	46,319	9,534
	47,710	193,321	24,148

Notes to the financial statements for the year ended 31 December 2019 (continued)

15. Expenses from activities and projects

	2019		2018
	USD	KHR'000	USD
Expense related to activity / project	201,374	815,967	198,850
Expense for student show and workshop	56,169	227,597	40,989
	257,543	1,043,564	239,839

16. Legal and professional fees

	2019		2018
	USD	KHR'000	USD
Professional service related to staff	30,450	123,383	-
Professional service related to activities	13,612	55,156	-
Professional service related to admin	8,443	34,211	-
Consultant services related to activities	6,087	24,665	-
Auditing services	5,600	22,691	5,450
Training fee and services for staff	3,601	14,591	-
Training fee and services for students / projects	2,651	10,742	-
	70,444	285,439	5,450

17. Partner project expenses

	2019		2018
	USD	KHR'000	USD
Blue Dragon	60,771	246,244	-
Help Age	3,019	12,233	-
EU Partners	(23,870)	(96,721)	-
	39,920	161,756	-

The project expenses from EU Partners were deemed ineligible, they were therefore adjusted.

18. Non-expendable equipment

	2019		2018
	USD	KHR'000	USD
Land and buildings	60,764	246,216	83,779
Furniture and fixtures	-	-	15,473
Machinery and equipment	23,729	96,150	16,738
	84,493	342,366	32,211

19. Restatement of comparative figures

Where necessary, certain comparative figures were restated to accord with current year presentation.