

PHARE PONLEU SELPAK

**Financial Statements
for the year ended 31 December 2018
and
Report of the Independent Auditors**

Organisation information

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	European Union (“EU”) Phare Ponleu Selpak France (“PPSF”) Agence Française de Développement (“AFD”) FK Norway Give2Asia ALTAMANE Oxfam Cambodia Cambodian Children’s Fund	
Board of Directors	Ms. Benedict Ravel Ms. Janna EP Mr. Dara Hout Mr. Patrick Labelle Mr. Ly Daravuth <i>Mr. Jean Baptiste Destremau</i> <i>Ms. Isabelle Drouillard</i>	President Member Secretary Member (appointed Jan 2019) Member (appointed Jan 2019) <i>Treasurer (resigned Dec 2018)</i> <i>President (resigned Dec 2018)</i>
Management team	Mr. Osman Khawaja Mr. Nam Mony Ms. Vong Phanat	Executive Director (appointed on 5 July 2017) Head of Finance (resigned on 2 November 2018) Head of Finance (appointed on 01 February 2019)
Principal bankers	Aceda Bank Plc. Candia Bank Plc. WB Finance Co., Ltd	
Auditors	KPMG Cambodia Ltd	

Phare Ponleu Selpak

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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 2018 and the statement of income and expenditure for the year then ended, as set out on pages 5 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

O. Khawaja

Mr. Osman Khawaja
Executive Director

Battambang, Kingdom of Cambodia

Date: 26 JUN 2019





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Report of the 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 2018, the statement of income and expenditure for the year then ended and notes, comprising significant accounting policies and other explanatory information (“financial statements”), as set out on pages 5 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 purpose. The restriction on use does not limit the disclosure or distribution of our report if such disclosure or distribution is required by laws and regulation. 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.

Auditors' Responsibility 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 skepticism 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.

For KPMG Cambodia Ltd

Lim Chew Teng
Partner

Phnom Penh, Kingdom of Cambodia

26 June 2019

Phare Ponleu Selpak

Statement of financial position as at 31 December 2018

	Note	2018 US\$	2017 US\$
ASSETS			
Cash and bank balances	3	812,350	552,219
Other receivables	4	86,040	78,626
Investment in PPSE	5	472,044	415,730
Amounts due from PPSE	6	-	56,314
		<hr/>	<hr/>
		1,370,434	1,102,889
		<hr/>	<hr/>
LIABILITIES			
Other payables	7	382,713	298,785
		<hr/>	<hr/>
Net assets		987,721	804,104
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Fund balance at end of the year		987,721	804,104
		<hr/> <hr/>	<hr/> <hr/>

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

Phare Ponleu Selpak

Statement of income and expenditure for the year ended 31 December 2018

	Note	2018 US\$	2017 US\$
Income			
Fund received from donors	8	215,563	83,784
Fund raising income	9	507,974	494,847
Performance income	10	342,561	317,268
Donations		14,165	12,516
Other income	11	36,451	33,059
		<hr/>	<hr/>
		1,116,714	941,474
Expenditure			
Personnel and related costs	12	507,784	541,849
Administrative expenses	13	181,297	252,181
Expenses incurred on activities and projects	14	90,330	135,801
Non-expendable equipment	15	115,990	14,177
Cost of sales of merchandise inventory and restaurant		32,245	25,218
Professional fee		5,451	18,502
		<hr/>	<hr/>
		933,097	987,728
Excess/(deficit) of income over expenditure		183,617	(46,254)
Fund balance at beginning of the year		804,104	850,358
Fund balance at end of the year		<hr/> <hr/>	<hr/> <hr/>
		987,721	804,104

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

Phare Ponleu Selpak

Notes to the financial statements for the year ended 31 December 2018

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

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 2018, the Organisation had 115 employees (2017: 126 employees).

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2018

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 ("US\$"), 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 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) Inventories

Inventories are recorded in the statement of financial position and stated at the lower of cost and estimated selling price less costs to complete and sell.

(d) Investment in PPSE and amounts due from PPSE

Investment in PPSE and amounts due from PPSE are recorded at cost in the statement of financial position until cash is received.

(e) Other payables

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

(f) Income

- (i) Fund received from Agence Française de Développement is recognised when received in cash rather than when earned.
- (ii) Other 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.
- (iii) Income from fund raising, performance donations, rental, interest and other sources is recognised received in cash rather than when earned.

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(g) 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.

(h) Foreign currency transactions

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

3. Cash and bank balances

	2018 US\$	2017 US\$
Cash on hand	3,511	5,377
Cash at banks	708,839	546,842
	<hr/>	<hr/>
Cash and cash equivalents	712,350	552,219
Term deposit with maturity more than three months (*)	100,000	-
	<hr/>	<hr/>
	<u>812,350</u>	<u>552,219</u>

(*) Represents the 12 months term deposit with WB Finance Co., Ltd which earned interest at 8% per annum.

4. Other receivables

	2018 US\$	2017 US\$
Advances to EU partners	66,034	59,182
Account receivables	11,271	7,839
Staff advance	2,190	2,611
Others	6,545	8,994
	<hr/>	<hr/>
	<u>86,040</u>	<u>78,626</u>

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2018

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 US\$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 US\$129,020, which increased the total investment in PPSE’s equity capital from US\$268,710 to US\$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.

During the year, Phare Poleu Selpak Association injected share capital amounts US\$ 56,314 which increasing the total investment in PPSE to amounts US\$ 472,044 representing 73.6% of the company’s share capital in accordance with the letter approved by the Ministry of Commerce on 6 April 2018.

6. Amounts due from PPSE

The amounts due from PPSE in prior period has been converted to capital contribution during the year (See Note 5).

7. Other payables

	2018 US\$	2017 US\$
Deferred grant income	380,643	292,131
Withholding tax payables	970	1,154
Others	1,100	5,500
	<u>382,713</u>	<u>298,785</u>

8. Funds received from donors

	2018 US\$	2017 US\$
EU Performing Arts	92,698	-
FK Norway	45,592	23,479
UNESCO Funds	19,521	29,958
Agence Française de Développement	8,234	12,507
Give2Asia	-	5,042
Other grant	49,518	12,798
	<u>215,563</u>	<u>83,784</u>

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2018

9. Fundraising income

	2018 US\$	2017 US\$
PPSE's contribution	338,353	235,665
Phare Ponleu Selpak – France	110,319	131,408
PPS fund raising and events	59,302	44,383
Projects – Co-financing	-	83,391
	<u>507,974</u>	<u>494,847</u>

10. Performance income

	2018 US\$	2017 US\$
Circus income	225,232	210,836
General services	110,486	93,083
Theatre income	5,264	8,153
Music income	1,579	4,142
Other performing art school income	-	1,054
	<u>342,561</u>	<u>317,268</u>

11. Other income

	2018 US\$	2017 US\$
Rental income	23,046	25,017
Interest income	13,405	8,042
	<u>36,451</u>	<u>33,059</u>

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2018

12. Personnel and related costs

	2018 US\$	2017 US\$
Staff salaries	476,771	478,954
Staff insurance	23,670	12,414
Staff travelling costs	5,324	47,442
Other insurance	2,019	3,039
	<u>507,784</u>	<u>541,849</u>

13. Administration expenses

	2018 US\$	2017 US\$
Training and capacity building	135,949	190,259
Transportation and gasoline	8,779	5,542
Repairs and maintenance	7,163	11,533
Utilities	6,178	16,354
Publication costs	3,962	3,009
Communication	3,891	10,083
Office stationeries and supplies	2,738	4,817
Bank charges	1,807	1,739
Garbage and hygiene related costs	1,296	2,197
Other administrative costs	-	872
Photocopy and printing	-	832
Other expenses	9,534	4,944
	<u>181,297</u>	<u>252,181</u>

14. Expenses incurred on activities and projects

	2018 US\$	2017 US\$
Materials and supplies	49,341	58,656
Income generated performance expenses	40,989	77,145
	<u>90,330</u>	<u>135,801</u>

Phare Ponleu Selpak

Notes to the financial statements (continued) for the year ended 31 December 2018

15. Non-expendable equipment

	2018 US\$	2017 US\$
Building	83,779	69
Office furniture and equipment	15,473	8,762
Computer and accessories	13,703	5,058
Music equipment	2,235	288
Motor vehicle	800	-
	<hr/>	<hr/>
	115,990	14,177
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