

HIGHLIGHTS OF THE 2022 FINANCIAL STATEMENTS

OUR VISION

We wish for a world where there are no more children left behind; a world in which each child, regardless of their family background, has the possibility to grow in an atmosphere of peace, respect and love, and to develop so they can become a responsible member of society.

OUR MISSION

PSE's mission is to help children escape from extreme poverty and lead them to a qualified, dignified and properly remunerated job through a range of solutions adapted to their needs.

A WORD FROM THE TREASURER

The financial statements were approved by the Board of Directors on 24 May 2023 and at the Annual General Meeting on 20 June 2023.

The financial year ending 31 December 2022 and its comparison with the previous financial year present several specificities because :

- First, the financial year lasted 16 months, following the decision to change the year end date from 31 August to 31 December, approved by the Annual General Meeting of 26th March 2022. This decision was justified partially by the change of the start of the school year to January (still in effect today, but subject to change), as a consequence of the pandemic, but above all in order to be in line with the declarations, based on calendar year, made to the French authorities regarding the number and amount of the donations, since the year 2021..
- Second, the 2020-2021 financial year, was fully impacted by the pandemic, when the centre was closed for two thirds of the time, it is being compared to a 16-month 2021-2022 financial year with limited activity during the first four months (September 2021 to December 2021) and the centre closed for half the time, followed by a gradual resumption of activity in the first quarter 2022, before finally returning to normal levels of activity from April onwards. Since then, the centre has continued to operate as normal, with a «winter» camp organised during the school holidays at the end of the calendar year.

Revenue was stable overall, while expenses

CENTRES IN CAMBODIA

One main centre in Phnom Penh and two in the provinces (Siem Reap and Sihanoukville).

KEY FIGURES REGARDING THE CHILDREN FOR 2020-2022

Following the pandemic, the school year has been aligned to the calendar year, starting in January 2022 rather than September/October 2021. The association supports Cambodia's poorest children and families. 6,622 children were cared for on average over the school year from January to December 2022.

increased significantly on an annualised basis.

PSE posted a surplus of €979,000 for the 16-month financial year; it should be noted that there was no allocation to the sponsorship fund, as allocated revenue (sponsorships and donations allocated to programmes) was lower than programme costs.

The Annual General Meeting decided to consolidate the existing reserves established over time (operating, investment and price fluctuation) into a single operating reserve of €9 million after allocation of part of the surplus (€75,000). The remainder of the surplus was allocated to retained earnings.

The association's aim, given the long-term nature of its activities to the benefit of the children, is to avoid using the operating reserve. On the other hand, the €6.8 million sponsorship fund that has built up over time will enable PSE to absorb deficits that are likely to arise from the 2023 financial year onwards, giving the association time to restore the balance between income and expenditure in the years ahead.

By Thierry KUTER, Treasurer in office on 20 June 2023, replaced by Jean-Pascal ORCEL on 26 June 2023



MODEL OF INTERVENTION

The association starts by **listening to its beneficiaries**, developing social missions over time to meet their needs. **Children are supported from start-to-finish, from early childhood to professional integration**, via personalised educational pathways, with special attention paid to the most vulnerable (remedial classes, adapted teaching for children with disabilities).

Children's needs are taken care of holistically, reducing the pressure from everyday life and maximising the chances of the children graduating: nutrition, health, protection, and also family support (PSE distributes rice to parents to compensate for the loss of income when a child goes to school rather than working).

The educational approach is also holistic, integrating education with **values** as well as **soft skills** and respect for the environment.

Lastly, the association has chosen to be strongly **integrated in its country of intervention**, taking care not to replace what exists locally. 95% of local staff are Cambodian. The Managing Director is Cambodian, she was one of the first beneficiaries of PSE 25 years ago.



SOCIO-ECONOMIC MODEL

Our model is based on appeals to public generosity, and our resources are made up of private funds.

- **Sponsorships**

Regular donations from individuals with a long-term commitment to the association are the main source of funds, ensuring the durability of the model. Sponsorships are non-nominative, a choice made by the founders from the outset.

Other sources of funding include :

- **Donations**

Received directly or collected by a network of 26 volunteer branches in France and around the world, organising events and displays of support.

- **Legacies, bequests and life insurance**

These were established last year and constitute a new source of funding.

- **Corporate sponsorship and philanthropy**

These involve support for our programmes or projects. We prefer to set up partnership relationships with our corporate sponsors, which enables us to establish a support model that continues naturally over time, because it is meaningful, engages the companies' staff and the impact can be measured.

Overheads and fundraising costs have been restricted (10% of expenditure) since the association was founded, thanks to rigorous management and a strong reliance on volunteers. There are only 6 employees at the head office.

Programmes :

Long-term, recurring activities for the benefit of the children, in particular our educational and vocational training programmes.

Projects :

One-off activities with a specific objective and dedicated resources, such as investments, projects aiming to improve existing programmes or pilot projects for new programmes. These projects are recorded as dedicated funds.

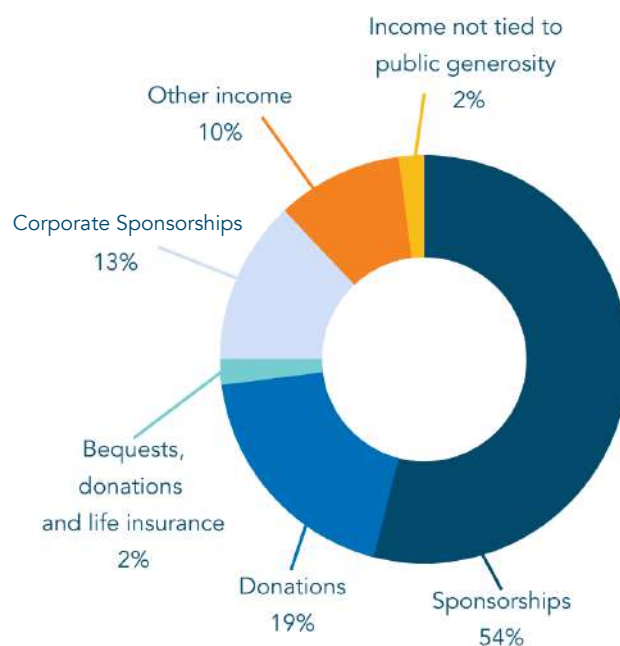
Management of PSE land and buildings :

The Cambodian real estate company PSE-C owns the land and buildings. 49% of PSE-C is owned by PSE and 51% by Cambodian shareholders, mainly the founders' families.

OUR RESOURCES

Almost all the association's resources come from appeals to public generosity.

	2021-2022 (in €'000s) (16 months)	% change 2020-2021 (12 months)	% change (12-month period)
■ Sponsorships	6 494	+26%	-6%
■ Donations	2 318	+77%	+33%
■ Bequests, donations and life insurance	298	+1%	-24%
■ Corporate Sponsorships	1 609	+6%	-20%
■ Other income	1 200	+32%	-1%
■ Income not tied to public generosity	183	+101%	51%
TOTAL	12 104	+30%	-2%



SPONSORSHIPS

These are regular, mostly monthly, donations by almost 9,000 individuals. Sponsorships are allocated to the social missions, while also covering a portion of the overheads and fundraising costs. The apparent decrease is due to the recognition of tax receipts for sponsorships over 15 months because of the change of year-end, the amount is in fact stable on a monthly average basis (equivalent to €5,195,000 over 12 months).

DONATIONS

There has been a significant increase in unrestricted donations, these donations dropped during the previous financial year due to the pandemic which led to the cancellation of many fundraising events organised by the association's branches. The increase is also partly linked to the December year end date, with a significant number of unrestricted donations are decided upon at the end of the year (there were two Decembers in the current financial year, including a particularly large amount of funds raised in December 2021, fuelled by the association's 25th anniversary festivities). Donations earmarked for specific projects (some of which also fall under the "corporate sponsorship" category) are down, as projects were limited during the pandemic.

LEGACIES, BEQUESTS AND LIFE INSURANCE

The association was the beneficiary of a major real estate bequest in 2020-2021. Several bequests and life assurance policies paid out for the benefit of the association have enabled a significant portion of this category to be maintained during the 2021-2022 financial year.

CORPORATE SPONSORSHIP

Corporate Sponsorship was down over the financial year, with the sharpest fall in dedicated donations earmarked for specific projects, of which there were fewer this year. The decline was less marked for corporate sponsorship donations earmarked for the programmes, largely due to the voluntary realignment of grants to the new dates of the Cambodian school year.

OTHER INCOME

Other income consists of financial income, extraordinary income, reversals of provisions for liabilities and charges and for asset depreciation, and the use during the financial year of funds received by the association in previous years and earmarked for specific projects. The stability results both from lower utilisation of funds from previous years and an increase in foreign exchange gains mainly linked to the revaluation of the loan from PSE to PSE-C at the year-end rate.

INCOME NOT RELATED TO PUBLIC GENEROSITY

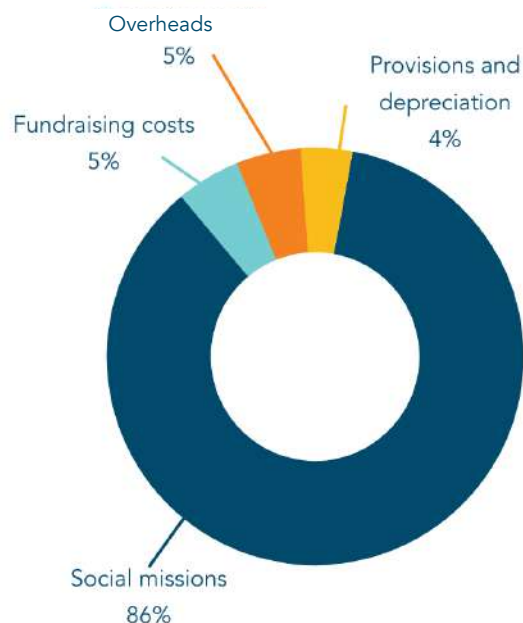
This income, excluding public grants, is made up of sales of services and goods from the workshops of the association's vocational training schools, as well as the sewing workshop. The increase is due to the award of two public grants in Cambodia during the 2021-2022 financial year.

Source: 2021-2022 CROD (income statement by origin and destination)

OUR USES

90% of jobs are directly dedicated to the association's social missions.

	2021-2022 (in €'000s) (16 months)	% change 2020-2021 (12 months)	% change (12-month period)
■ Social missions	9 360	60%	20%
■ Fundraising costs	576	34%	1%
■ Overheads	496	116%	62%
■ Provisions and depreciation	441	272%	179%
SUB-TOTAL	10 874	+64%	+23%
Other expenses and surplus	1 230	-54%	-65%
TOTAL	12 104	+30%	-2%



SOCIAL MISSIONS

These are the operating expenses of the programmes that benefit the children supported by the association. They have risen sharply because, due to the pandemic, our centres – like all the schools in Cambodia – have alternated opening and closing periods throughout 2020-2021. The still limited activity between September 2021 and December 2021 gradually returned to normal from January 2022.

FUNDRAISING EXPENSES

These relate to the costs of appealing to the public's generosity, mainly incurred by our head office in France. Expenses were stable between the two financial years, an increase in staff costs due to the addition of a full-time equivalent in the Digital Communications Department, was offset by a drop in spending on fundraising events (as a reminder, a social media event had been organised during the previous financial year in October 2020, hosted by journalist Frédéric Lopez).

PROVISIONS AND IMPAIRMENTS

The variation/increase is linked to the 80% provision on the loan to PSEC (slight decrease in the amount in USD, but significant increase in euros at the year-end exchange rate).

OPERATING EXPENSES

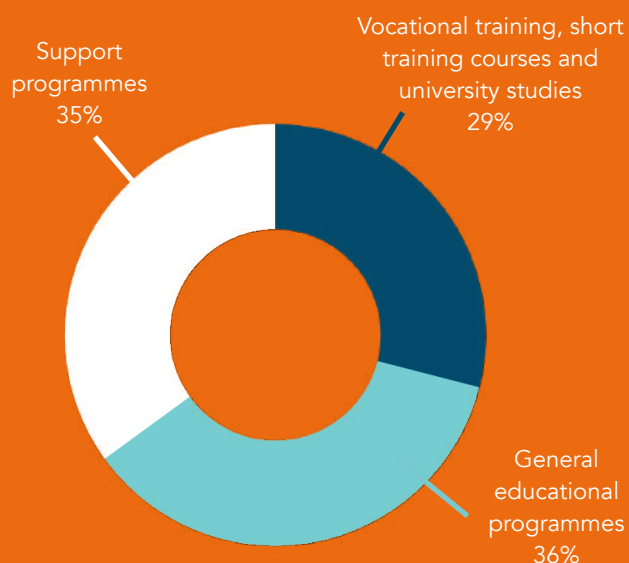
These are the day-to-day management costs incurred by the head office in France. They were up sharply due to a number of factors including the resumption of travel – in particular to Cambodia – following the reopening of borders after the pandemic and to the weight of the paid leave allocation due to the change of year-end, as well as to exceptional expenses linked to the organisation of the association's 25th anniversary festivities and, above all, to non-recurring subscription fees to a real-estate investment trust as part of the reserve investment strategy.

OTHER EXPENSES AND SURPLUS

These represent the surplus for the year of €979,000, as well as the resources allocated to projects that were collected and not spent during the year. They are kept in reserve to be used for the programmes or projects to which they have been allocated. These charges fell sharply, as there was no allocation to the sponsorship fund during the 2021-2022 financial year, because allocated revenue was lower than expenses.

Source: 2021-2022 CROD (income statement by origin and destination)

FOCUS ON SOCIAL MISSIONS



GENERAL EDUCATIONAL PROGRAMMES

State school enrolments; PSE school (remedial classes and tutoring); daycare centres/nursery schools; programmes in the countryside; adapted teaching for children with disabilities; language and soft skill teaching; educational team.

PROFESSIONAL INTEGRATION PROGRAMMES

Vocational training schools (Hospitality and Tourism, Management and Sales, Construction, Mechanics, Film); short training courses run by PSE or external partners; university studies external to PSE with the association supporting the students.

SUPPORT PROGRAMMES

Nutrition (canteens), medical and mother and child protection programmes; childminders, foster families, boarding school and residential school; social and family support programmes; extracurricular activities and summer camps.

COMMENTS

- Programme costs can be broken down as follows: two thirds for education and training, and one third for support programmes.
- For general educational programmes, the PSE school accounts for almost 10% of total programme costs, since 100% of this programme's costs are borne by PSE (teacher salaries, etc.), in contrast to the state school enrolment programme, where PSE provides additional support (uniforms, school supplies, meals, monitoring of beneficiaries, etc.).
- Nutrition accounts for 17% of the support programmes costs.

SIMPLIFIED BALANCE SHEET

ASSETS 2021-2022 (in €'000s)

Fixed assets	3 482
Current assets	18 317
Exchange Rate adjustments	24
TOTAL ASSETS	21 823

LIABILITIES 2021-2022 (in €'000s)

Equity and Retained Funds	13 703
Dedicated funds	7 045
Contingency and debt provision	1 003
Exchange Rate adjustments	72
TOTAL LIABILITIES	21 823

Nearly 80% of the **fixed assets** are made up of the net value of the financial assets corresponding to the Cambodian real estate company PSE-C, which owns the land and buildings. The balance corresponds to property, plant and equipment after depreciation.

Current assets mainly comprise financial investments (€13.9 million) and liquidities (€4.0 million).

The **shareholders' equity** corresponds to reserves of €9.9 million built up over time by the association and retained earnings of €3.8 million.

Dedicated funds can be broken down into €6.8 million for the sponsorship fund and €0.2 million of funds dedicated to various ongoing projects.

Provisions amounted to €0.5 million, including €0.2 million in provisions for contingencies, and €0.6 million for liabilities.

RESERVE POLICY

The association has set itself the target of having reserves of at least one year's worth of current operational costs (€8 million), given the long-term nature of its activities (supporting children over time). Careful management since its inception, the very positive financial impact of the film «Les Pépites» and, more recently, during the pandemic (stable revenue and significantly lower expenditure) have resulted in more than 2 years of reserves being built up at year-end (shareholders' equity + dedicated funds compared to the current assets). This sound financial situation will enable the association to adapt income/expenditure over time, by adjusting the number of beneficiaries and/or the support provided to each child with the ability to withstand a deficit, for several years if necessary, and therefore does not need to implement short-term expenditure-cutting measures.