

PENAL REFORM INTERNATIONAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2010

**TUDOR JOHN
Chartered Accountants
Nightingale House
46-48 East Street
EPSOM Surrey
KT17 1HQ**

PENAL REFORM INTERNATIONAL

YEAR ENDED 31 DECEMBER 2010

STATUS

The organisation was established in London on 12 November 1989 and registered as an association with not for profit status in Groningen, The Netherlands, on 13 February 1990, registration number 40025979.

SECRETARIAT ADDRESS

First Floor
60-62 Commercial Street
London
E1 6LT

OFFICERS

David Daubney	Chairperson
Position vacant	Vice-Chairperson
Juliet Lyon	Secretary General
Anthony Tang	Treasurer
Vera Tkachenko	Deputy Secretary General
Position Vacant	Deputy Treasurer
Professor Hans Tulkens	Honorary President
Vivien Stern	Honorary President
Al Bronstein	Honorary President
Rani Shankardass	Honorary President

PENAL REFORM INTERNATIONAL

REPORT OF THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2010

The board present their report and the audited financial statements for the year ended 31 December 2010.

In recognition of both PRI's registration in the Netherlands and the increasingly international donor base, these accounts have been prepared in Euros.

AIMS AND OBJECTIVES

Penal Reform International seeks to achieve penal reform, whilst recognising diverse cultural contexts, by promoting:

- the development and implementation of international human rights instruments with regard to law enforcement, prison conditions and standards,
- the elimination of unfair and unethical discrimination in all penal measures,
- the abolition of the death penalty,
- the reduction of use of imprisonment throughout the world, and
- the use of constructive non-custodial sanctions which encourage social reintegration whilst taking account of the interests of victims.

BOARD MEMBERS

The board members who were in office at the year end were as follows

David Daubney	(Canada)	Chairperson
Olawale Fapohunda	(Nigeria)	
Maria Eugenia Hofer Denecken	(Chile)	
Juliet Lyon	(UK)	Secretary General
Amin Mekki Medani	(Sudan)	
Simone Othmani-Lellouche	(France)	
Bryan Stevenson	(USA)	
Anthony Tang	(HKSAR, China)	Treasurer
Vera Tkachenko	(Kazakhstan)	Deputy Secretary General
Anton Van Kalmthout	(Netherlands)	
Justice Imman Ali	(Bangladesh)	
Professor Dirk van zyl Smit	(South Africa)	

Honorary board members at the year end were as follows

Alvin Bronstein	(USA)	Honorary President
Vivien Stern	(UK)	Honorary President
Hans Tulkens	(Netherlands)	Honorary President
Rani Shankardass	(India)	Honorary President

ACTIVITIES

The organisation has its headquarters in London and operates throughout the world.

It has offices in the following locations:

Moscow, Russia	Amman, Jordan
Astana, Kazakhstan	Tbilisi, Georgia

During 2010, the offices in the following locations were closed:

Bujumbura, Burundi
Kigali, Rwanda

PENAL REFORM INTERNATIONAL

REPORT OF THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2010

RESERVES

The organisation carries out a variety of long term projects. The Board has examined the requirement for free reserves, which are those funds not committed to projects or other specific purposes and not invested in fixed assets. The Board considers that, given the nature of the work, this should be approximately EUR 1,500,000 (amount to be regularly reviewed according to the size of the organisation and the operating environment) which gives flexibility to cover temporary timing differences for grant claims and adequate working capital for our core costs. The free reserves at 31 December 2010 were EUR 651,840 and the Board aims to retain EUR 70,000 each year until the target for free reserves is reached.

RESPONSIBILITIES OF THE BOARD

The constitution requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of the Association and of the surplus or deficit of the Association for that period.

In preparing those financial statements, the Board is required to:

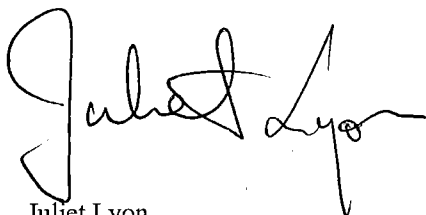
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Constitution. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention of fraud and other irregularities.

AUDITORS

Tudor John have expressed their willingness to continue as auditors.

Approved by the board on 20th July 2011 and signed on their behalf by



Juliet Lyon
Secretary General

PENAL REFORM INTERNATIONAL

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PENAL REFORM INTERNATIONAL**

We have audited the financial statements of Penal Reform International for the year ended 31 December 2010 on pages 5 to 14 which have been prepared under the historical cost convention, and applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members. Our audit work has been undertaken so that we might state to the Association's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained on page 3, the Board Members are responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 December 2010 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board is inconsistent in any material respect with the financial statements ;
- or
- sufficient accounting records have not been kept; or
 - the financial statements are not in agreement with the accounting records and returns; or
 - we have not received all the information and explanations we require for our audit.

Tudor John 25/12/2011

Tudor John
Chartered Accountants
and Registered Auditors
Nightingale House
46-48 East Street
Epsom
Surrey
KT17 1HQ

PENAL REFORM INTERNATIONAL

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 €	2009 €
INCOME			
Grants	2b	2,821,273	2,725,951
Donations		59	4,034
Membership Subscriptions		-	28
Income from Information and Publications		-	55
Interest Received		2,651	313
Other Income		<u>2,334</u>	<u>5,431</u>
TOTAL INCOME		<u>2,826,317</u>	<u>2,735,812</u>
EXPENDITURE			
Direct Expenditure	3a	2,309,325	2,286,109
Administrative Expenditure	3b	<u>592,850</u>	<u>550,081</u>
TOTAL EXPENDITURE		<u>2,902,175</u>	<u>2,836,190</u>
Surplus/deficit for the Year before Taxation and Exceptional Items		(75,858)	(100,378)
Unrealised provision for project losses		-	5,234
Provisions for reorganisation		(6,452)	-
Surplus/(Deficit) for the Year before Taxation		<u>(82,310)</u>	<u>(95,144)</u>
Taxation	5	-	(1,198)
Surplus/(Deficit) for the Year after Taxation		(82,310)	(96,342)
Accumulated Funds at 1 January 2010		<u>734,150</u>	<u>830,492</u>
ACCUMULATED FUNDS AT 31 DECEMBER 2010		<u>651,840</u>	<u>734,150</u>

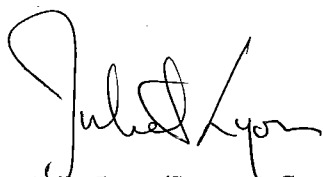
All of the above results are derived from continuing activities. There were no other recognised gains or losses other than as disclosed above. Movements in funds are disclosed in note 10 to the financial statements.

PENAL REFORM INTERNATIONAL

BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	2010 €	2009 €
Tangible Fixed Assets	6		17,730
CURRENT ASSETS			
Debtors	7	427,948	595,635
Cash at Bank and in Hand		<u>1,932,236</u>	<u>1,855,752</u>
		2,360,184	2,451,387
Creditors: Amounts Falling Due Within one Year	8	<u>1,726,074</u>	<u>1,732,372</u>
Net Current Assets		<u>634,110</u>	<u>719,015</u>
NET ASSETS		<u>651,840</u>	<u>734,150</u>
Funds			
Accumulated Funds	10	<u>651,840</u>	<u>734,150</u>
TOTAL FUNDS		<u>651,840</u>	<u>734,150</u>

Approved by the board on 20th July 2011 and signed on their behalf by



Juliet Lyon (Secretary General)



Anthony Tang (Treasurer)

1 ACCOUNTING POLICIES

Consolidation

The accounts include the consolidated results of Penal Reform International and its subsidiary undertakings:

Association Internationale de Reforme Penale, PRI - France

Income

Grants are included as income of the year to which they relate and are due, or on a cash received basis if a date is not specified.

Subscriptions and donations are included as income on a received basis.

Deferred Income

Where grants are received for specific projects, income may be deferred until such time as the project expenditure is incurred.

Tangible Fixed Assets and Depreciation

Tangible fixed assets acquired for core activities are stated at cost less depreciation.

Depreciation is provided at the following rates:

Office equipment - 33% straight line basis and 25% straight line basis

Provisions

Provision is made from general income for expenditure on specific future projects where considered appropriate.

Foreign Currencies

Transactions denominated in foreign currencies are translated at the exchange rate for the month in which they are booked. Foreign currency assets and liabilities held at the year end are translated at year end exchange rates.

Resulting exchange gains or losses are dealt with in the income and expenditure account.

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

2a MOVEMENTS ON CURRENCY EXCHANGE

Exchange differences arise due to the fact that transactions are conducted and funds held in foreign currencies. Application of the accounting policy for foreign currencies, shown in Note 1 Accounting Policies, gives rise to an exchange loss in the current year at the date of the accounts. However, movement of currency exchange rates could result in gains or losses on exchange.

2b GRANTS

	2010	2009
	€	€
Grants receivable during the year:		
European Union	720,253	791,177
Belgian Ministry of Foreign Affairs	576,694	597,180
Swiss Development Corporation	564,251	354,555
Open Society Institute	541,188	382,656
Swedish International Development Agency	253,584	931,460
UNICEF	56,209	127,655
Centre for the Victims of Torture	55,268	-
Foreign and Commonwealth Office, UK	44,408	235,021
Organisation for Security and Cooperation in Europe	15,000	-
Netherlands Ministry of Foreign Affairs	11,234	-
UN Quakers	6,159	-
Swedish Institute for Human Rights	3,777	-
Development Cooperation Ireland	1,660	-
Other	-	-
Norwegian Mission of Rule of Law Advisors to Georgia	(7,221)	67,415
University of Oxford	-	18,105
United Nations Development Fund	-	17,482
RCT/Empathy	-	6,169
United Nations Office of the High Commissioner for Human Rights	-	722
Department for International Development, UK	-	679
	2,842,464	3,530,276

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

2b GRANTS (Continued)

	2010 €	2009 €
Total Grants Receivable during the Year Brought Forward	2,842,464	3,530,276
Deferred Income at 1 January 2010:		
European Union	458,841	75,517
Belgian Ministry of Foreign Affairs	59,500	-
Swiss Development Corporation	182,094	-
Open Society Institute	2,629	-
Swedish International Development Agency	655,751	304,360
UNICEF	-	19,033
Foreign and Commonwealth Office, UK	102,565	18,797
Development Cooperation Ireland	-	149,778
Norwegian Mission of Rule of Law Advisors to Georgia	11,457	12,473
Department for International Development, UK	8977	8,298
Catholic Organisation for Relief and Development, The Netherlands	21516	21,516
Comité Catholique contre la Faim et pour le Développement, France	8209	8,209
Sigrid Rausing Trust	3368	91,967
University of Oxford	-	2,520
Other	17,480	15,594
	<hr/> 1,532,387	<hr/> 728,062
	<hr/> 4,374,851	<hr/> 4,258,338

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

2b GRANTS (Continued)

	2010	2009
	€	€
Total Grants Received during the Year Brought Forward	4,374,851	4,258,338
Deferred Income at 31 December 2010:		
European Union	(715,713)	(458,841)
Belgian Ministry of Foreign Affairs	(45,165)	(59,500)
Swiss Development Corporation	(257,363)	(182,094)
Open Society Institute	(42,214)	(2,629)
Swedish International Development Agency	(334,493)	(655,751)
Centre for the Victims of Torture	(12,123)	-
Foreign and Commonwealth Office, UK	(101,072)	(102,565)
Netherlands Ministry of Foreign Affairs	(11,234)	-
UN Quakers	(3,298)	-
Norwegian Mission of Rule of Law Advisors to Georgia	-	(11,457)
Department for International Development, UK	-	(8,977)
Catholic Organisation for Relief and Development, The Netherlands	(21,516)	(21,516)
Comité Catholique contre la Faim et pour le Développement, France	-	(8,209)
Sigrid Rausing Trust	-	(3,368)
Other	(9,387)	(17,480)
	<u>(1,553,578)</u>	<u>(1,532,387)</u>
	<u><u>2,821,273</u></u>	<u><u>2,725,951</u></u>

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

2b GRANTS (Continued)	2010	Currency
Cash Amounts Received During 2010		
Belgian Ministry of Foreign Affairs	395,008	EUR
Centre for the Victims of Torture	74,995	USD
European Union	671,847	EUR
Foreign and Commonwealth Office, UK	11,850	GBP
Foreign and Commonwealth Office, UK	7,706,837	KZT
Netherlands Ministry of Foreign Affairs	2,159,827	KZT
Open Society Institute	717,218	USD
Organisation for Security and Cooperation in Europe	2,981,774	KZT
Swedish International Development Agency	253,584	EUR
Swedish Institute for Human Rights	3,777	EUR
Swiss Development Corporation	700,000	CHF
UNICEF	115,048	GEL
UNICEF	9,750	USD
UN Quakers	5,198	GBP

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

3 TOTAL EXPENDITURE

	2010	2009
	€	€
a) Direct Expenditure:		
Projects and Programmes	<u>2,309,325</u>	<u>2,286,109</u>
b) Administrative Expenditure:		
Salaries	321,341	225,570
General Office Expenses	97,012	76,979
Travel and Subsistence	62,509	79,540
Depreciation	10,886	20,070
Bank Charges	4,022	4,203
Net (gain)/loss on exchange currencies	(8,390)	34,115
Accountancy	1,377	201
Audit	7,248	8,015
Professional Fees	32,496	24,386
Recharges from Projects	2,686	48,370
Support to the Regional Offices	61,663	28,632
	<u>592,850</u>	<u>550,081</u>

4 BOARD MEMBERS FEES

No fees were received by board members during the year:

Other board members were reimbursed for travel and accommodation costs for attendance at Penal Reform International meetings. No board member received any other benefits.

5 TAXATION

The Inland Revenue has agreed that the grants and donations income of the organisation will not be subject to UK taxation. Furthermore, the Inland Revenue has agreed that interest received, up to the amount of £5,000 per annum without deduction of income tax, will not be liable to UK taxation. Where interest received exceeds the level of £5,000 per annum there is a liability to UK taxation on the total amount of interest received.

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

6	TANGIBLE FIXED ASSETS	Office Equipment €	
	Cost		
	At 1 January 2010	153,983	
	Additions in the Year	13,044	
	Revaluation	7,303	
	At 31 December 2010	<u>174,330</u>	
	Depreciation		
	At 1 January 2010	138,848	
	Charge for the Year	10,886	
	Revaluation	6,866	
	At 31 December 2010	<u>156,600</u>	
	Net Book Value		
	At 31 December 2010	<u>17,730</u>	
	At 31 December 2009	<u>15,135</u>	
7	DEBTORS	2010 €	2009 €
	Grants Receivable	97,930	416,251
	Other Debtors and Prepayments	<u>330,018</u>	<u>179,384</u>
		<u>427,948</u>	<u>595,635</u>
8	CREDITORS: Amounts falling due within One Year	2010 €	2009 €
	Deferred Income	1,553,578	1,532,387
	Creditors	85,461	90,114
	Accruals	<u>87,035</u>	<u>109,871</u>
		<u>1,726,074</u>	<u>1,732,372</u>

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

9 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

	2010 €	2009 €
Expiring:		
Between one and five years	<u>24,598</u>	<u>35,547</u>

10 ACCUMULATED FUNDS

	2010 €	2009 €
At 1 January 2010	734,150	830,492
Surplus/(Deficit) for the Year after Taxation	<u>(82,310)</u>	<u>(96,342)</u>
At 31 December 2010	<u>651,840</u>	<u>734,150</u>

11 AUDITORS

In common with many other entities of our size we use our auditors to assist with the preparation of Corporation tax returns and their submission to the tax authorities. In addition we outsource our payroll and related returns to our auditors.

12 PENAL REFORM INTERNATIONAL UK

The Directors of Penal Reform International UK are also Members of Penal Reform International, an associated entity of the company which is registered in the Netherlands. The company has entered into a lease for 1st Floor, 60-62 Commercial Street, E1 6LT. The premises are occupied by Penal Reform International, and during the year the rental costs of €37,183 were recharged to Penal Reform International at cost (2009 - €43,994).

The company also operates the payroll on behalf of Penal Reform International's UK staff, and costs of €487,278 were recharged to Penal Reform International during the year (2009 - €365,511).