

PENAL REFORM INTERNATIONAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2008

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

PENAL REFORM INTERNATIONAL

YEAR ENDED 31 DECEMBER 2008

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

Unit 450
The Bon Marche Centre
241-251 Ferndale Road
Brixton
London
SW9 8BJ

OFFICERS

Dr Rani Shankardass	Chairperson
David Daubney	Vice-Chairperson
Juliet Lyon	Secretary General
Livingston Sewanyana	Treasurer
Vacant	Deputy Secretary General
Antony Tang	Deputy Treasurer
Professor Hans Tulkens	Honorary President
Vivien Stern	Honorary President
Al Bronstein	Honorary President

PENAL REFORM INTERNATIONAL

REPORT OF THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2008

The board present their report and the audited financial statements for the year ended 31 December 2008.

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

Hans Henrik Brydensholt	(Denmark)	
David Daubney	(Canada)	Vice-Chairperson
Olawale Fapohunda	(Nigeria)	
Maria Eugenia Hofer Denecken	(Chile)	
Juliet Lyon	(UK)	Secretary General
Amin Mekki Medani	(Lebanon)	
Angela Melo	(Mozambique)	
Simone Othmani-Lellouche	(France)	
Livingstone Sewanyana	(Uganda)	Treasurer
Rani Shankardass	(India)	Chairperson
Bryan Stevenson	(USA)	
Antony Tang	(HKSAR, China)	Deputy Treasurer
Vera Tkachenko	(Kazakhstan)	

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

ACTIVITIES

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

It has offices in the following locations:

Moscow, Russia	Kigali, Rwanda
Almaty, Kazakhstan	Amman, Jordan
Washington, USA	Tbilisi, Georgia

During 2008, the following PRI office was closed
Lilongwe, Malawi

PENAL REFORM INTERNATIONAL

REPORT OF THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008 were EUR 830,492 and the Board aims to retain a further 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:

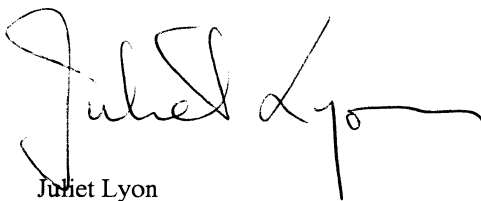
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

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 24th July 2009 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 2008 on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out therein.

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 members those matters we are required to state to them in an auditors' 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 the board and auditors

As described on page 3 the Board Members are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Report of the Board is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information regarding Board Members remuneration and transactions with the Association is not disclosed.

We read the Report of the Board and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


We have undertaken the audit in accordance with the requirements of APB Ethical Standards, including Ethical Standard "Provisions Available for Smaller Entities" in the circumstances set out in note 11 to the financial statements.

PENAL REFORM INTERNATIONAL

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs at 31 December 2008 and of the surplus for the year then ended and have been properly prepared in accordance with relevant legal and regulatory requirements, including provisions of the Associations constitution registered at Groningen on 13 February 1990. In our opinion the information given in the report of the board is consistent with the financial statements.

 6th August 2009

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 2008

	Note	2008 €	2007 €
INCOME			
Grants	2b	2,748,893	4,016,779
Donations		2,332	571
Membership Subscriptions		-	1,242
Income from Information and Publications		-	3,058
Interest Received		6,366	3,944
Other Income		<u>1,809</u>	<u>(5,924)</u>
TOTAL INCOME		<u>2,759,400</u>	<u>4,019,670</u>
EXPENDITURE			
Direct Expenditure	3a	2,250,177	3,121,805
Administrative Expenditure	3b	<u>454,660</u>	<u>955,719</u>
TOTAL EXPENDITURE		<u>2,704,837</u>	<u>4,077,524</u>
Surplus for the Year before Taxation and Exceptional Items		54,563	(57,854)
Unrealised provision for project losses		(19,658)	-
Provisions for reorganisation		-	3,393
Surplus/(Deficit) for the Year before Taxation		<u>74,221</u>	<u>(61,247)</u>
Taxation	5	<u>-</u>	<u>-</u>
Surplus/(Deficit) for the Year after Taxation		74,221	(61,247)
Accumulated Funds at 1 January 2008		<u>756,271</u>	<u>817,518</u>
ACCUMULATED FUNDS AT 31 DECEMBER 2008		<u>830,492</u>	<u>756,271</u>

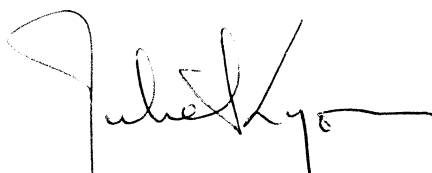
All of the above results are derived from continuing activities. There were no other recognised gains or losses other than as disclosed above. Movements in funds are disclosed in note 9 to the financial statements.

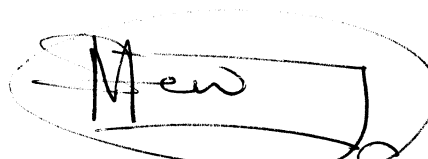
PENAL REFORM INTERNATIONAL

BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	2008 €	2007 €
Tangible Fixed Assets	6		10,697
CURRENT ASSETS			
Debtors	7	842,430	666,343
Cash at Bank and in Hand		<u>909,363</u>	<u>1,199,247</u>
		1,751,793	1,865,590
Creditors: Amounts Falling Due Within one Year	8	<u>931,998</u>	<u>1,130,463</u>
Net Current Assets			<u>819,795</u>
NET ASSETS			<u>735,127</u>
			<u>830,492</u>
Funds			
Accumulated Funds	10		<u>830,492</u>
			<u>756,271</u>
TOTAL FUNDS			<u>830,492</u>
			<u>756,271</u>

Approved by the board on 24th July 2009 and signed on their behalf by


Juliet Lyon (Secretary General)


Livingstone Sewanyana (Treasurer)

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008

2a GAINS 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

	2008	2007
	€	€
Grants receivable during the year:		
Belgian Ministry of Foreign Affairs	623,922	457,459
Swedish International Development Agency	550,264	487,788
European Union	379,340	410,685
Open Society Institute	347,408	475,069
Sigrid Rausing Trust	182,857	207,011
United Nations Development Fund	119,570	78,539
Foreign and Commonwealth Office, UK	115,344	362,001
Development Cooperation Ireland	98,254	160,000
Norwegian Misson of Rule of Law Advisors to Georgia	82,124	45,814
Netherlands Ministry of Foreign Affairs	74,470	361,606
UNICEF	74,049	64,340
Inter-Church Organisation for Development and Cooperation, The Netherlands	24,078	1,138
University of Oxford	9,142	-
RCT/Empathy	7,125	5,324
United Nations Office of the High Commissioner for Human Rights	3,027	13,860
Catholic Organisation for Relief and Development, The Netherlands	-	42,147
Allan & Nesta Ferguson Foundation	(531)	-
Department for International Development, UK	(9,708)	329,924
Swiss Development Corporation	(13,949)	151,528
Ministère des Affaires Etrangères, France	-	267,752
Food and Agriculture Organisation of the United Nations	-	5,228
United Nations Office on Drugs and Crime	-	4,971
Ford Foundation	-	530
Other income	552	1,460
	<hr/> 2,667,338	<hr/> 3,934,174

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

2b GRANTS (Continued)

	2008	2007
	€	€
Total Grants Receivable during the Year Brought Forward	2,667,338	3,934,174
Deferred Income at 1 January 2008:		
Swedish International Development Agency	204,243	181,311
European Union	187,666	280,145
Open Society Institute	160	-
Sigrid Rausing Trust	136,535	-
United Nations Development Fund	-	114,262
Foreign and Commonwealth Office, UK	38,698	42,268
Development Cooperation Ireland	160,000	-
Norwegian Mission of Rule of Law Advisors to Georgia	17,119	-
Netherlands Ministry of Foreign Affairs	-	77,332
UNICEF	2,664	2,189
Inter-Church Organisation for Development and Cooperation, The Netherlands	1,411	29,071
United Nations Office of the High Commissioner for Human Rights	13,860	-
Other income	6,332	-
Catholic Organisation for Relief and Development, The Netherlands	18,873	31,448
Comité Catholique contre la Faim et pour le Développement, France	8,209	9,249
Allan & Nesta Ferguson Foundation	531	6,273
Department for International Development, UK	11,165	32,013
Swiss Development Corporation	2,151	2,239
United Nations Office on Drugs and Crime	-	4,605
Ford Foundation	-	27,203
Romanian Ministry of Finance	-	34,995
VEBO	-	2,743
Other income	-	14,876
	<hr/>	<hr/>
	809,617	892,222
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	3,476,955	4,826,396

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

2b GRANTS (Continued)

	2008	2007
	€	€
Total Grants Received during the Year Brought Forward	3,476,955	4,826,396
Deferred Income at 31 December 2008:		
Swedish International Development Agency	(304,360)	(204,243)
European Union	(75,517)	(187,666)
Open Society Institute	-	(160)
Sigrid Rausing Trust	(91,967)	(136,535)
Foreign and Commonwealth Office, UK	(18,797)	(38,698)
Development Cooperation Ireland	(149,778)	(160,000)
Norwegian Mission of Rule of Law Advisors to Georgia	(12,473)	(17,119)
UNICEF	(19,033)	(2,664)
Inter-Church Organisation for Development and Cooperation, The Netherlands	-	(1,411)
University of Oxford	(2,520)	-
United Nations Office of the High Commissioner for Human Rights	-	(13,860)
Other income	(15,594)	-
Catholic Organisation for Relief and Development, The Netherlands	(21,516)	(18,873)
Comité Catholique contre la Faim et pour le Développement, France	(8,209)	-
Allan & Nesta Ferguson Foundation	-	(531)
Department for International Development, UK	(8,298)	(11,165)
Swiss Development Corporation	-	(2,151)
Comité Catholique contre la Faim et pour le Développement, France	-	(8,209)
Other income	-	(6,332)
	<u>(728,062)</u>	<u>(809,617)</u>
	<u><u>2,748,893</u></u>	<u><u>4,016,779</u></u>

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

2b GRANTS (Continued)

	2008	Currency
Cash Amounts Received During 2008		
Belgian Ministry of Foreign Affairs	359,996	EUR
Department for International Development, UK	80,456	GBP
Development Cooperation Ireland	98,254	EUR
European Union	339,457	EUR
Foreign and Commonwealth Office, UK	14,067,485	KZT
Inter-Church Organisation for Development and Cooperation, The Netherlands	41,407	USD
Netherlands Ministry of Foreign Affairs	55,556	GBP
Netherlands Ministry of Foreign Affairs	8,000	EUR
Norwegian Mission of Rule of Law Advisors to Georgia	101,619	GEL
Norwegian Mission of Rule of Law Advisors to Georgia	17,804	USD
Open Society Institute	553,750	USD
Open Society Institute	67,107	RON
Other	480	EUR
RCT/Empathy	15,690	GEL
Sigrid Rausing Trust	150,000	GBP
Swedish International Development Agency	410,307	EUR
Swiss Development Corporation	102,400,000	FRW
UNICEF	547,273	MKW
United Nations Development Fund	283,696	USD
United Nations Office of the High Commissioner for Human Rights	20,400	USD
University of Oxford	8,000	GBP

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

3 TOTAL EXPENDITURE

	2008	2007
	€	€
a) Direct Expenditure:		
Projects and Programmes	<u>2,250,177</u>	<u>3,121,805</u>
b) Administrative Expenditure:		
Salaries	218,344	376,715
General Office Expenses	84,874	122,110
Travel and Subsistence	75,398	76,153
Depreciation	11,389	13,864
Bank Charges	7,098	9,890
Net (gain)/loss on exchange currencies	(39,447)	93,154
Accountancy	6,817	(371)
Audit	9,419	20,392
Professional Fees	11,847	50,549
Recharges from Projects	28,378	47,587
Support to the Malawi Office	40,543	124,769
Support to the Bucharest Office transition	-	20,907
	<u>454,660</u>	<u>955,719</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 2008

6	TANGIBLE FIXED ASSETS	Office Equipment €	
	Cost		
	At 1 January 2008	150,901	
	Additions in the Year	6,552	
	Revaluation	<u>(37,152)</u>	
	At 31 December 2008	<u>120,301</u>	
	Depreciation		
	At 1 January 2008	129,757	
	Charge for the Year	11,389	
	Revaluation	<u>(31,542)</u>	
	At 31 December 2008	<u>109,604</u>	
	Net Book Value		
	At 31 December 2008	<u>10,697</u>	
	At 31 December 2007	<u>21,144</u>	
7	DEBTORS	2008 €	2007 €
	Grants Receivable	786,636	535,603
	Other Debtors and Prepayments	<u>55,794</u>	<u>130,740</u>
		<u>842,430</u>	<u>666,343</u>
8	CREDITORS: Amounts falling due within One Year	2008 €	2007 €
	Deferred Income	728,062	809,617
	Creditors	74,432	113,120
	Accruals	<u>129,504</u>	<u>207,726</u>
		<u>931,998</u>	<u>1,130,463</u>

PENAL REFORM INTERNATIONAL

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

9 OPERATING LEASE COMMITMENTS

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

	2008	2007
	€	€
Expiring:		
Between one and five years	<u>42,656</u>	<u>-</u>

10 ACCUMULATED FUNDS

	2008	2007
	€	€
At 1 January 2008	756,271	817,518
Surplus/(Deficit) for the Year after Taxation	<u>74,221</u>	<u>(61,247)</u>
At 31 December 2008	<u>830,492</u>	<u>756,271</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.

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 Unit 450 Bon Marche Centre. The premises are occupied by Penal Reform International, and during the year the rental costs of £42,280 were recharged to Penal Reform International at cost (2007 - £37,373).

The company also operates the payroll on behalf of Penal Reform International's UK staff, and costs of £433,715 were recharged to Penal Reform International during the year (2007 - £477,759).