

Penal Reform International

Report and financial statements

For the year ended 31 December 2018

Penal Reform International

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Penal Reform International

Reference and administrative details

For the year ended 31 December 2018

Penal Reform International is registered as an association in The Kingdom of the Netherlands (registered number 40025979).

Operational address: 1 Ardleigh Road
London
N1 4HS

General Board membership:

Honorary Presidents, without any role or right to participate in decision-making:

Dr Rani Shankardass, India
Baroness Vivien Stern, UK
Hans Tulkens, Netherlands

Board members who served during the year and up to the date of this report were as follows:

| | |
|--|------------------------------------|
| Prof Dirk van Zyl Smit, South Africa and UK | Chair |
| Prof Anton van Kalmthout, Netherlands | Treasurer |
| Justice Muhammad Imman Ali, Bangladesh | Secretary General |
| David Fathi, USA | Board member |
| Roselyn Karugonjo Segawa, Uganda | Board member |
| Natalia Khutorskaya, Russia | Board member |
| Paula Litvachky, Argentina | Board member |
| Dr Dmitry Nurumov, Kazakhstan | Board member (elected April 2018) |
| John Nyoka, Tanzania | Board member |
| Vera Tkachenko, Kazakhstan | Board member (resigned April 2018) |
| Prof Robert van Voren, Lithuania and Netherlands | Board member |

Senior management team:

| | |
|---------------------------------------|--|
| Alison Hannah, until August 2018 | Executive Director |
| Florian Irminger, from September 2018 | Executive Director |
| John Usher | Head of Finance |
| Tsira Chanturia | Regional Director (South Caucasus) |
| Taghreed Jaber | Regional Director (Middle East and North Africa) |
| Azamat Shambilov | Regional Director (Central Asia) |

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For the year ended 31 December 2018

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|-------------------|---|
| Bankers | HSBC Bank 512 Brixton Road London SW9 8ER |
| Solicitors | Russell-Cooke 2 Putney Hill London SW15 6AB |
| Auditor | Sayer Vincent LLP Chartered Accountants and Statutory Auditors Invicta House 108-114 Golden Lane LONDON EC1Y 0TL |

The Board present their report and the audited financial statements for the year ended 31 December 2018.

Penal Reform International (PRI) is an international, independent non-governmental organisation (NGO). It is registered as an Association (registered number 40025979) in Groningen, Kingdom of the Netherlands. PRI's governing document is its Constitution, which sets out its objects, mission and powers as a registered association. The organisation is governed by the General Board, which determines in general terms PRI's policy and approves amongst other things: a. The annual report and the audited accounts; b. The appointment of the auditor; c. The budget for the financial year; d. The elections as prescribed by PRI's constitution and the regulations made in terms of it. The General Board elects an Executive Board, is competent to appoint PRI's Executive Director to whom the Executive Board delegates the responsibility for the day-to-day management of PRI. In 2018, the Executive Board appointed a new Executive Director. Members of the Executive Board, jointly, and the Executive Director within the exercise of his authority represent PRI legally. Such power can be delegated to other members of staff within the remit of their positions.

Registered in The Netherlands, PRI has its head office in London, United Kingdom, and four regional offices, which are registered as branches of PRI in the countries where the regional offices are based (Georgia, Jordan, Kazakhstan, and Uganda). All offices are covered by the arrangements set out in the constitution and PRI's regulations.

Although PRI is not a charity registered in the UK, the Board have adopted the provisions of the Statement of Recommended Practice – Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102. The organisation's annual accounting year is its financial year, from January to December.

Objectives and activities

The Constitution sets out the Association's aims to promote:

- a. The development and implementation of international human rights instruments with regards to criminal justice and penal matters;
- b. The elimination of unfair and unethical discrimination in all penal measures;
- c. The abolition of the death penalty;
- d. The reduction of the use of imprisonment throughout the world;
- e. The use of constructive non-custodial sanctions which encourage social reintegration whilst taking account of the interests of victims; and
- f. Everything connected with the foregoing or favourable to them.

PRI aims to promote safe and secure societies where offenders are held to account, victims' rights are recognised, sentences are proportionate and the primary purpose of prison is social rehabilitation, not retribution, based on international human rights standards. It works as a catalyst for systemic change through a smart mix of advocacy and practical programmes for reform, in partnership with intergovernmental, governmental and non-governmental bodies, and

supports the role of civil society in promoting criminal justice reform at the levels of legislation, policy and practice. PRI works nationally, regionally and internationally.

Achievements and performance

Strategic objectives

PRI has a strategic plan for the period 2015–2020. The strategy is adopted by the Board. The four outcomes are:

1. A criminal justice system that respects the rule of law, upholds the rights of suspects and defendants and prevents the unnecessary use of pre-trial detention;
2. Fair and proportionate sentencing that takes account of the circumstances of both the offence and offender;
3. Humane treatment and conditions for prisoners and prevention of torture in all places of detention;
4. Safer communities through rehabilitation, reintegration interventions and interventions to reduce re-offending.
5. PRI adopts an annual workplan setting out the way its projects contributes to achieving the said outcomes.

Progress towards achieving the outcomes of the 2015–2020 strategic plan

PRI adopted a strategic plan with four outcomes for the period 2015 to 2020. PRI will be reviewing its strategic priorities and set a new strategy for the period 2020–2023, to be published in November 2018. Simultaneously, PRI will be reviewing its achievements in implementing the outcomes set for the organisation since 2015 (see below, section on PRI's commitment to monitoring, evaluation and learning).

All projects agreed with donors (see below, overview of PRI's projects in 2018) are designed to fulfilling PRI's strategic outcomes. The highlights of the year are emblematic projects that helped have a particular impact on the implementation of the outcomes (see below, highlights for 2018).

Outcome 1: A criminal justice system that respects the rule of law, upholds the rights of suspects and defendants and prevents the unnecessary use of pre-trial detention

This outcome includes activities to support fair and efficient criminal justice systems, aligned with international standards and recognised good practice. It promotes change to support access to justice, fair trials and reduce the unnecessary use of pre-trial detention.

In working towards this outcome, in 2018 our activities focused on:

- Promoting legal aid
- Diverting minor offenders away from the formal justice system
- Promoting public health solutions to crime such as those involving drugs
- Improving the monitoring of places of pre-trial detention, including police stations

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- Supporting measures to respect the rights of women, children and vulnerable groups

Outcome 2: Fair and proportionate sentencing that takes account of the circumstances of the offence and offender

We believe that too many offenders are sentenced to terms of imprisonment without consideration of the specific circumstances of the offence or personal characteristics of the offender. Often a community-based sanction is not seriously considered even if the offence is relatively minor or the impact of imprisonment on the offender or their family is disproportionately damaging. This means that insufficient weight is frequently given to the benefits of non-custodial sentences – proven to be particularly effective for women and children. For children, the international standards explicitly state that detention should only be used as a last resort and for the shortest possible time.

Specific themes that contributed to this outcome over the year include:

- Promoting, developing and implementing probation and community services
- Advocacy for abolition of the death penalty and replacement with a humane alternative
- Applying a gender perspective to take account of the Bangkok Rules
- Recognising the needs of vulnerable groups and child offenders

Outcome 3: Humane treatment and conditions for prisoners and prevention of torture in all places of detention

We believe that the primary purpose of prison is rehabilitation rather than retribution, to enable offenders to become law-abiding citizens. Treatment inside prison should be humane – torture and other cruel, inhuman or degrading treatment is never acceptable. Implementation of the Nelson Mandela and Bangkok Rules are essential to ensure humane treatment for all prisoners.

Activities contributing to this outcome include:

- Promoting and capacity building to implement the Nelson Mandela Rules
- Advocating for and establishing effective external monitoring bodies to prevent torture
- Promoting the provisions of the Bangkok Rules for women and girl offenders
- Encouraging the involvement of civil society in supporting prisoners
- Respecting the rights of children in detention
- Sharing experiences on managing violent extremist and radicalised prisoners to promote a human rights approach

Outcome 4: Safer communities through rehabilitation, reintegration and interventions to reduce re-offending

Many studies show that people are less likely to commit further crimes if they have jobs, homes and family ties. We work with civil society partners to promote healthcare services, psychological support, educational and vocational training to help people become self-supporting and law-abiding citizens. We promote an integrated and holistic approach to rehabilitation that starts from the sentencing stage, providing plans for each individual offender. We do this through advocacy at conferences, working groups and regional office activities providing education, healthcare

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treatment and vocational training to prepare prisoners for release. Such activities are usually delivered through local NGOs or by cooperation between professional and civil society organisations.

Highlights for 2018

Looking back over the year, there are a number of successes we would like to highlight, including:

- Publication of the Global Prison Trends Report 2018, in partnership with the Thai Institute for Justice (our annual flagship publication);
- PRI significantly increased its work in crisis and conflict or post-conflict settings, through delivery of a penitentiary reform programme in Yemen, with a special focus on women and children, and reaching an agreement with the authorities in the Central African Republic on a strategy to demilitarise the penitentiary system in the country;
- Continued growth of PRI's activities in Sub-Saharan Africa, including through a focus on fair trials in relation to the individuals sentenced to death in Uganda. In 2018, we finalised the negotiations of a major grant for work on torture prevention in Uganda which will lead to intensifying PRI's regional presence in East Africa from 2019;
- PRI hosted the World Congress on Justice for Children in 2018, leading to the adoption of the Paris Declaration; PRI hosted a civil society forum on life imprisonment in London, at which it was agreed to launch a global coalition on life imprisonment, of which PRI hopes to be the secretariat;
- PRI established an office in Bishkek, Kyrgyzstan, which will allow the organisation to increase its regional reach, as it aimed at renewing regional projects ending in 2018 and to intensify its cooperation with civil society and government institutions in Kyrgyzstan;
- PRI continued to develop its work with local civil society partners to provide skills-training and counselling services to women who experienced abuse and violence, factors linked to their offending behaviour, as a unique project to build a more gender sensitive response to women offenders in Georgia;
- Continuing our support with state institutions in Algeria to build a justice system responsive to needs of children confronted to the criminal justice system, including through supporting the establishment of the office of the Child Protection Commissioner;
- In 2018, we also fought the spread of Cholera into prisons in Yemen. In Tunisia, successful completion of a pilot project for probation, now to be expanded.

Overview of PRI's projects in 2018

PRI organisation-wide projects:

- GPT 2018: Publication of PRI's Flagship publication on global trends in the use of imprisonment, prison populations, developments and challenges in prison management, the role of technology in criminal justice and prison systems and alternatives to imprisonment
- Publication of a Guide for prison staff on managing prisoners with mental health problems

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- Producing a briefing on life imprisonment and establishing a global coalition to campaign against the use of life without parole
- Research on sentencing women for drug offenses in cooperation with Linklaters
- Publication of a Guide on rehabilitation of women prisoners in cooperation with the Thai Institute of Justice, through research on successful models of rehabilitation programmes for women offenders
- Publication of a Guide on women's mental health in prison, aimed specifically at prison staff. The guide is for both service users and prison staff and will include good practice models for mental wellbeing and mental health provision for women offenders

PRI's projects in Africa:

- Training of prison officers on vulnerable groups of prisoners in Uganda
- Assessment of the application of international fair trial standards in death penalty cases in Uganda, which includes case monitoring, policy reform and practical change to the application of the death penalty, and practical advice to lawyers and members of the judiciary
- Demilitarisation of the penitentiary system in the Central African Republic

PRI's projects in Central Asia:

- Reducing prison population in Kyrgyzstan, through re-integration of ex-offenders by strengthening work of local state authorities and civil society organization and strengthening of re-socialisation programmes
- Torture prevention project for 5 Central Asian countries, through improving national preventive mechanisms in Kazakhstan and Kyrgyzstan, increasing capacity of legal experts to defend victims of torture, strategic litigation against perpetrators; strengthening laws and practice and oversight in Tajikistan, Turkmenistan and Uzbekistan; and improving capacity of civil society organisations working on torture prevention and monitoring
- Empowering and supporting national civil society to improve access to justice for juvenile offenders and vulnerable prisoners in Kazakhstan
- Extension of probation services for children in Kazakhstan, through reforming special schools for child offenders and establishing independent monitoring of places of detention for children
- Improve human rights education by developing a human rights course for university students in three universities in Kazakhstan
- Supporting state and civil society in combating torture in Kyrgyzstan, through strengthening engagement of civil society with judicial authorities and law enforcement bodies to prevent torture
- Combatting violent extremism and radicalization in Central Asian prisons, through using faith-based dialogue and rehabilitation programmes

PRI's projects in South Caucasus:

- Strengthening preventive monitoring mechanisms in Armenia and Georgia, with the aim of reducing torture and ill treatment
- Oversight of Georgia's anti-torture commitments and compliance with international standards, through increasing awareness of and compliance with the Revised Standard Minimum Rules for the Treatment of Prisoners in Georgia's prisons; reviewing legislation and practice in terms of compliance with the Nelson Mandela Rules; and monitoring of the implementation of Georgia's Anti-torture National Action Plan (2015–2016) and producing recommendations for the next anti-torture action plan
- Supporting development of services for women offenders who experienced violence and discrimination, and their vulnerable children, through providing psychosocial, legal, medical and reintegration services; seeking to break the chain of violence and discrimination, addressing the trauma and providing holistic support in prison and post-release
- Promoting engagement of civil society in the penitentiary and probation reforms through advocacy, networking, influencing policy making and monitoring of reforms

PRI's projects in the Middle East and North Africa:

- Reforming the penitentiary system in Yemen with the aim of meeting international human rights standards, through reforms of places of detention to protect rights of people in prison, including vulnerable groups, implementing alternative sanctions and diversion mechanisms at community and police levels, and develop the capacity of civil society groups in this regards
- Initial steps to improve conditions for women prisoners in Yemen, through improving basic humanitarian conditions for women and juveniles, and to lay the foundations for future engagements to further strengthen the resilience of detainees, their families and communities, and greater access to justice
- Modernisation of the penitentiary system in Tunisia, through Improving access to services including health, education, legal aid, access to community services after release, and access to the outside world whilst in detention, including family visits and work outside of prison
- Reducing overcrowding and promoting alternatives in Tunisia, through effective implementation of alternatives to incarceration
- Mainstreaming a human rights based approach in the criminal justice systems in Algeria, through building skills, knowledge and capacity on international standards, reinforcing institutional capacity of prisons
- Protection for children in Algeria through partnership with and support for the office of the Child Protection Commissioner, with the aim of strengthening child protection mechanisms based on international standards and guideline, through supporting coordination between child commissioner office and civil society
- Countering violent extremism behind bars through human rights standards and promoting contact with the outside world

Further information about the activities undertaken by PRI in 2018 are published in PRI's workplan for 2018, which is shared with the Board separately and serves as a basis for the monitoring of PRI's impact and learning from its activities.

Monitoring and evaluation

As set out in PRI's approach to organisational learning strategy, PRI's work is dependent on learning from our own experience, our partners and the wider criminal justice sector and human rights movement. We seek to share our experience and analysis with others and aim to use our learning to influence policy-making and practice. In other words, we recognise the importance of organisational learning and are committed to developing our capacity to learn and share across the organisation.

Monitoring, evaluation and learning is an organisation-wide responsibility and belongs in particular to the organisation's senior management. PRI also employs a Monitoring, Evaluation and Learning Officer. The Officer provides input to funding proposals to help us measure the results and impact of our work. She provides training to PRI staff and partners, and has developed tools to help us identify relevant indicators, capture outputs and outcomes and to document lessons learnt.

Evaluations, both internal and external, are important for assessing whether we achieved what we set out to achieve, what impact this had and whether there are learning points to help us improve.

PRI is facing financial difficulties to fundraise for its monitoring, evaluation and learning activities and cannot go in a direction of regionalising the function, as the aim is for the whole organisation to learn from all its work. As it looks at developing its new 2020–2023 strategy, this organisation-wide responsibility will however be central in allowing the organisation to design a strategy answering today's challenges and allowing the organisation to prioritise.

Information and communications

PRI's measures to conform with the European Union General Data Protection Regulations

Since the entry into effect of the European Union Regulation 2016/679 (General Data Protection Regulation), we have had to make some changes to how we collect information from the people who visit our website, including how we use cookies using Google Analytics. The GDPR rules mean that implied consent to collecting cookies – which was previously given via a notice that was displayed to website users informing them that 'By using this site, you accept cookies' – is no longer sufficient, and users now have to actively agree to cookies being tracked. If they don't agree, we are no longer able to track their activity.

The new cookies message was added to the website on 6 July 2018. It has resulted in a sharp decrease in the number of recorded visits to the website and the number of recorded downloads

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of resources. This doesn't mean that the number of visitors or downloads have necessarily decreased, but simply that the number of users/actions that we are able to track has significantly decreased. This makes comparing analytics from this period with previous periods difficult, and, from now on, we will essentially need to start from scratch.

Online external communications

The number of website users from January to July 2018 was significantly higher than the number of website users from the same period last year, with a peak of 15,524 visits in May 2018 (this coincided with the launch of Global Prison Trends 2018; on the day of the launch, there were 1,011 visitors to the website – the highest numbers of visitors ever on one single day).

However, after early July 2018, the number of recorded visitors drops significantly which can be attributed to the changes made to the website in compliance with General Data Protection Regulations. Despite this, the number of visitors between April–August 2018 was still higher (42,677) than the number of visitors between April–August 2017 (37,938).

PRI resources were downloaded 21,362 times between 1 January 2018 to 31 December 2018.

The most popular resources were:

1. Mandela Rules Resolution (2,834);
2. Global Prison Trends 2018 (1,290);
3. Short guide to the Bangkok Rules (1,122);
4. Mental health in prison: A short guide for prison staff (799);
5. Global Prison Trends 2017 (856).

We continued our monthly series of expert guest blogs (as well as ad-hoc blogs). The blog series attracted over 27,891 views in 2018.

The most popular expert blogs were:

1. 'What can restorative justice offer victims of domestic violence?' by Dr Marian Liebmann (1,624);
2. 'Poverty and the Death Penalty' by Robin M. Maher (1,444);
3. 'Prisons and the mentally ill: why design matters' by Marayca López and Laura Maiello-Reidy (666);
4. 'Prison education: university partnerships paving the way to successful reintegration' by Nina Champion (554);
5. 'Preventing infectious diseases in prisons: a public health and human rights imperative' by Gen Sander (513).

The most popular new blogs (published since September 2018) were:

1. 'A community sentence for women with mental health needs' by Olivia Rope (269);
2. PRI's approach: as needed as ever, Florian Irminger (167);
3. 'Don't ask, don't tell': Breaking the cycle of violence against LGBTI persons in detention by Jean-Sébastien Blanc.

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All expert and regular blogs are included in our monthly newsletters and promoted on our social media platforms.

PRI continued its growth on social media in 2018:

- The number of people following PRI on Twitter is 3,920 at the time of writing – an 8.8 per cent increase since the last reporting period (3,603 followers). The @PRIMENA1 handle has 107 followers, @PRICentralAsia has 152 followers. Those senior members of staff who have individual handles have followers going from 167 to 3,142 followers;
- In 2018, PRI's Twitter Impressions reached 827,800, as compared to the sum of 668,300 in 2017. This is due to a much higher level of engagement on Twitter as well as a huge spike in visits in May 2018, coinciding with the launch of Global Prison Trends 2018, which we promoted on Twitter using targeted paid ads.

In January 2018 we launched a Penal Reform International Facebook page, which currently has over 500 followers. We have also increased engagement on our LinkedIn page, which currently has nearly 1,000 followers. PRI also has Facebook accounts related to its activities in Central Asia, Middle East and North Africa, and South Caucasus.

For the launch of Global Prison Trends 2018, we ran a number of paid social media ads to specifically target current and potential followers and increase the number of downloads of the publication. Using a small budget (the total spend was £171.96), we ran ads across Twitter, LinkedIn and Facebook, resulting in a total of 571,913 impressions (the total number of times an ad is shown to users). The ads were particularly successful on Facebook and Twitter, resulting in a 57 per cent increase in followers on Facebook and a 136 per cent increase in followers on Twitter. On LinkedIn, the ads did result in increased engagement, however the cost per engagement was high (£3.17 per click) and we felt that this money would have been better spent on the other platforms.

The Communications Intern has been instrumental in increasing our social media reach and has been responsible for creating and sharing regular content and interacting with followers. Managing these platforms is a time-intensive activity, so without the help of the Communications Intern we wouldn't have been able to maintain such a high level of engagement.

It should be underlined that PRI does not invest much resources in its communications. In 2018, it heavily relied on interns, who have been instrumental in increasing our social media reach and have been responsible for creating and sharing regular content and interacting with followers. Managing these platforms is a time-intensive activity, so without the help of the communications interns we wouldn't have been able to maintain such a high level of engagement.

Beneficiaries of our work

PRI's end beneficiaries are men, women and children in contact and conflict with the criminal justice system, including those held in prisons and places of detention, and their relatives. Subsidiary beneficiaries are those working in prisons and within the criminal justice systems which constitute a target of many of our trainings and with whom we establish long term cooperation. Beneficiaries are also civil society organisations and human rights defenders with whom PRI partners, shares knowledge, builds joint projects, and designs joint strategies.

To achieve our aims, we work with inter-governmental organisations, regional bodies, national policy-makers, criminal justice authorities, professional services, academia and civil society organisations and individuals to reform legislation, policy and practice.

Financial review

During the year under review the association has a deficit of €258,344 (2017 €440,605) on its unrestricted funds. The operating deficit was €199,194 but the association incurred exchange rate losses of €59,150.

During the year it came to light that there was an on-going liability relating to terminal benefit payments for certain staff within the MENA office. This liability should have been recognised in prior periods, therefore an adjustment has been made to the accounts to reflect this. The impact of this adjustment to each relevant period is explained within note 22 in the accounts.

This issue will be discussed during the Board meeting in May 2019 and steps will be taken to reduce the organisation's exposure to such risks in the future.

Organisational income was €5.04m, an increase of 33% compared to 2017 (€3.78m). This was due to a significant rise in restricted grant income compared to the previous year. In addition to increasing its funding from existing donors, PRI also secured funding from new donor sources during the year.

With the appointment of a new Executive Director, PRI is in the process of re-assessing its operational structure as well as developing a new strategic plan. During this process, efforts continue to further reduce the ongoing budget deficit, whilst at the same time the association is closely monitoring its cost base.

PRI made significant progress with its fundraising efforts for its Africa office, based in Kampala. A significant grant from the Democratic Governance Facility (DGF) was secured for a project in Uganda which commenced in February 2019. As part of an assessment of how PRI can operate within Africa, the Board of PRI will define the scope of work that can be carried out by the Kampala office.

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As per the decision at Executive Board meeting in January 2018 PRI's regional office in Russia was closed and all operations were ceased.

As at 31st December 2018 the association held free reserves of €859,908 (2017 €1,118,252)

No funds were held as custodian trustee on behalf of others

Reserves policy and going concern

The current reserves policy takes into account the commitment to complete projects and the average time frame between submitting an application and receipt of funds. On this basis it is considered appropriate to set the level of reserves equivalent to 9–12 months of expenditure for managing and administering the association's activities. This is calculated as being in between €900,000 and €1,250,000 and is based on a reduced staff structure.

PRI's current unrestricted reserves fall just below the minimum threshold of the stated reserves target. PRI will be reviewing its reserves policy during 2019.

Principal risks and uncertainties

PRI has a risk register that is regularly reviewed by the Board. This identifies the major risks for the organisation. The major risks identified for 2018 were both internal risks (for which we have procedures and policies to implement and monitor) and external ones that include:

- Changes in the political context in which we work. Where there is a change in government or other change that reduces political will for change, it is extremely difficult for us to make progress. We seek to mitigate this by maintaining constructive engagement with government and other key stakeholders and promote change in an incremental way.
- Increasing fear of terrorism and violent extremism that leads to a political focus on security rather than human rights. We uphold and promote human rights values in response to these threats.
- Risk of conflict or civil war: this has been an ongoing risk in the MENA region, where the situation is very volatile, for example in Egypt and Yemen. This is a risk outside our control but our close relationship with partners and NGOs in the country concerned means that sometimes they can continue our work when we are not able to do so directly. However, where the situation becomes too difficult, we will pause until the situation is resolved.
- Instability of funding: PRI is almost entirely dependent on grant funding from institutional donors, and there is a limited pool of funding sources. If donor priorities change, this will impact severely on our ability to continue work at current levels. We seek to mitigate this risk by exploring possibilities for expanding the pool of donors and income-generating opportunities (through working in consortiums with others for example).

Shrinking space for NGOs to work on human rights in some countries has a negative impact on PRI's work – for example in Russia, Azerbaijan, Tajikistan, Uganda

Organisational developments

In 2018, PRI went through a leadership transition, as it appointed a new Executive Director, Florian Irminger, who started on 3 September 2018. Alison Hannah retired after working for 11 years as the organisation's Executive Director. PRI gives huge thanks to Alison Hannah for her engagement and commitment to PRI! PRI has sought support from the Open Society Foundation to support the organisation in this transition through its New Executive Fund; in May 2019, PRI was granted support for two years.

Plans for the future

PRI's Board sought to find a new Executive Director with a different profile and experience as it thought PRI needs a new vision and fresh ideas for the organisation.

In 2019, PRI is celebrating its 30th anniversary. After 30 years working for fair and effective criminal justice systems globally, there is a lot we learnt and we can build on. Right now, the organisation is however also in a financial difficulty, which presents the new Executive Director with the challenge of needing to quickly turn the organisation around to adapt its structure to its income whilst allowing it to reach its objectives.

PRI will start its 31st year with a new strategy, which will be discussed by the Board in May 2019 and published in November, following a consultative process with members of staff, PRI partners and supporters, as well as its donors.

In the meantime, 2019 promises to continue to build PRI as a unique and practical organisation reforming criminal justice systems in the regions in which it works – just as exciting as previous years:

- Research and publication of the fifth issue of the Global Prison Trends Report for 2019
- Mainstreaming a gender-specific approach to all penal reform programmes and initiatives
- Promotion of the Bangkok Rules and a gender-sensitive approach to sentencing women offenders
- Penitentiary reform in Yemen, including better conditions for women and children in detention, with a strong focus on establishing a women's unit within law enforcement
- Promoting and supporting increased use of alternatives to detention, including probation and community service orders in countries in Africa, Central Asia, MENA region and South Caucasus
- Torture prevention and prison oversight programmes in Central Asia and South Caucasus
- Developing guidance to, and promoting implementation of, the Nelson Mandela Rules for the treatment of prisoners
- Increasing the involvement of civil society in supporting offenders to reintegrate successfully into the community as a key concern in all countries in which we work

Structure, governance and management

PRI's governing document is its Constitution, which sets out our objectives, mission and powers as a registered Association in the Netherlands. It also sets out the arrangements for the appointment of Board members and their duties and competencies.

The Board (the General Board) consists of not less than nine and not more than fifteen people, aiming for a balanced representation of the different regions of the world and a gender balance of members. The Board holds the powers and responsibilities set out in the Dutch Civil Code. It determines in general terms PRI's policy and approves the annual report and audited accounts of the Association. It elects the officers (Chair, Treasurer and Secretary General) and deputy officers from its membership and these officers constitute the Executive Board.

The Executive Board meets at least three times a year; it provides guidance and direction for ongoing activities. It considers the financial accounts of the past year and the budget for the current year, referring to the Board for approval of decisions. The Board may delegate all or part of its powers to the Executive Board, in so far as compliant with the provisions of Dutch law.

The decisions of the Board and Executive Board are implemented by the Executive Director, Florian Irminger, since September 2018, who reports directly to the Board and Executive Board to set out progress on agreed priorities with reference to PRI's strategic plan.

The Board will be deciding on the future structure for PRI in May 2019, as PRI's new 2020–2023 strategy will contain an organisational restructuring as part of the objectives. The aim of the Board is to lay the basis of PRI's new structure out in 2019 to ensure that as of 2020 the organisation is restructured to be able to reach its objectives and respond to its financial situation.

Appointment of the Board

The Board is elected by the Association (PRI)'s membership. When there is a vacancy/vacancies on the Board, members are informed by the Executive Board of forthcoming elections and given the opportunity to nominate themselves as Board members. Candidates' details, information about the election and ballot papers are sent to members, who have fourteen days to fill the ballot paper and return it to the Executive Board. Each member of the Association has one vote and the candidate(s) receiving most valid votes is elected.

Membership terms on the Board are limited for each member; currently, three members will see their term as Board member ending in 2020. PRI will hence in Autumn 2019 launch an election procedure for the members of the Board, with the aim to ensure i) Regional representation; ii) Gender balance; and iii) Proximity and understanding of PRI's work.

Remuneration policy for key management personnel

PRI head office staff based in London and regional directors are paid in accordance with an agreed objective and non-discriminatory job evaluation scheme and linked salary scales. Other regional staff are paid in accordance with local market rates and any national statutory requirements.

Statement of 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 Association's financial activities during the period and of its financial position at the end of the period. In preparing financial statements giving a true and fair view, the Board should follow best practice and:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in operation

Auditor

Sayer Vincent LLP was re-appointed as the charity's auditor during the year and has expressed its willingness to continue in that capacity.

The Board's annual report has been approved by the Board on 10 May 2019 and signed on their behalf by

Prof Anton van Kalmthout
Treasurer

Independent auditor's report

To the members of

Penal Reform International

Opinion

We have audited the financial statements of Penal Reform International (the 'association') for the year ended 31 December 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the association's affairs as at 31 December 2017 and of its result for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report

To the members of

Penal Reform International

Other information

The other information comprises the information included in the Board's annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Board

As explained more fully in the statement of responsibilities of the Board, set out in the Board's annual report, the board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the association'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 the Board either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the association's members as a body. 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 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.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance,

Independent auditor's report

To the members of

Penal Reform International

but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Date

Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006

DRAFT

Penal Reform International

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 December 2018

| | Note | Unrestricted € | Restricted € | 2018 Total € | Restated Unrestricted € | Restated Restricted € | Restated 2017 Total € |
|--|------|-------------------|------------------|--------------------|-------------------------------|-----------------------------|--------------------------------|
| Income from: | | | | | | | |
| Donations and legacies | 2 | 9,808 | 36,197 | 46,005 | - | 28,436 | 28,436 |
| Activities | 3 | | | | | | |
| Advocating for Prison and Penal Reform | | - | 2,443,953 | 2,443,953 | 48,015 | 1,334,668 | 1,382,683 |
| Reducing the use of imprisonment | | - | 152,425 | 152,425 | - | 574,023 | 574,023 |
| Prevention of torture, cruel, inhumane or degrading treatment | | - | 739,599 | 739,599 | - | 767,099 | 767,099 |
| Abolition of the death penalty | | - | 4,445 | 4,445 | - | - | - |
| Justice for Children | | - | 272,110 | 272,110 | 51,133 | 186,537 | 237,670 |
| Women in the Criminal Justice System | | - | 433,975 | 433,975 | - | 269,493 | 269,493 |
| Countering Violent Extremism and Radicalisation Inside Prisons | | - | 941,624 | 941,624 | - | 518,775 | 518,775 |
| Investments | | 1,579 | - | 1,579 | 988 | - | 988 |
| Other | | 2,940 | - | 2,940 | 1,454 | - | 1,454 |
| Total income | | 14,327 | 5,024,328 | 5,038,655 | 101,591 | 3,679,030 | 3,780,621 |
| Expenditure on: | | | | | | | |
| Raising funds | 4 | 41,474 | 36,197 | 77,671 | 47,430 | 28,436 | 75,866 |
| Activities | | | | | | | |
| Advocating for Prison and Penal Reform | 4 | 84,189 | 2,440,889 | 2,525,078 | 154,416 | 1,327,749 | 1,482,165 |
| Reducing the use of imprisonment | 4 | 5,346 | 154,978 | 160,324 | 46,384 | 574,023 | 620,407 |
| Prevention of torture, cruel, inhumane or degrading treatment | 4 | 25,536 | 740,346 | 765,882 | 58,939 | 767,099 | 826,038 |
| Abolition of the death penalty | 4 | 154 | 4,445 | 4,599 | - | - | - |
| Justice for Children | 4 | 9,437 | 273,604 | 283,041 | 74,455 | 204,322 | 278,777 |
| Women in the Criminal Justice System | 4 | 14,968 | 433,975 | 448,943 | 23,367 | 287,278 | 310,645 |
| Countering Violent Extremism and Radicalisation Inside Prisons | 4 | 32,417 | 939,894 | 972,311 | 41,327 | 518,775 | 560,102 |
| Total expenditure | | 213,521 | 5,024,328 | 5,237,849 | 446,318 | 3,707,681 | 4,153,999 |
| Net income / (expenditure) for the year | 9 | (199,194) | - | (199,194) | (344,727) | (28,651) | (356,184) |
| Transfers between funds | | - | - | - | 6,686 | (6,686) | - |
| Net income / (expenditure) before other recognised gains and losses | | (199,194) | - | (199,194) | (338,041) | (35,337) | (373,378) |
| Foreign exchange gain/(loss) | | (59,150) | - | (59,150) | (102,564) | - | (102,564) |
| Net movement in funds | | (258,344) | - | (258,344) | (440,605) | (35,337) | (475,942) |
| Reconciliation of funds: | | | | | | | |
| Total funds brought forward | | 1,118,252 | - | 1,118,252 | 1,558,858 | 35,337 | 1,594,195 |
| Total funds carried forward | 15 | 859,908 | - | 859,908 | 1,118,252 | - | 1,118,252 |

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 15 to the financial statements.

Penal Reform International

Balance sheet

As at 31 December 2018

| | Note | € | 2018 € | Restated € | Restated 2017 € |
|--|------|--------------------|------------------------------|--------------------|--------------------------------|
| Fixed assets: | | | | | |
| Tangible assets | 11 | | <u>1,549</u> | | <u>4,457</u> |
| | | | 1,549 | | 4,457 |
| Current assets: | | | | | |
| Debtors | 12 | 365,381 | | 602,220 | |
| Cash at bank and in hand | | <u>2,701,978</u> | | <u>1,537,274</u> | |
| | | 3,067,359 | | 2,139,494 | |
| Liabilities: | | | | | |
| Creditors: amounts falling due within one year | 13 | <u>(2,209,000)</u> | | <u>(1,025,699)</u> | |
| Net current assets | | | <u>858,359</u> | | <u>1,113,795</u> |
| Total net assets | 14 | | <u><u>859,908</u></u> | | <u><u>1,118,252</u></u> |
| The funds of the association: | 15 | | | | |
| Restricted income funds | | | - | | - |
| Unrestricted income funds: | | | | | |
| General funds | | <u>859,908</u> | | <u>1,118,252</u> | |
| Total unrestricted funds | | | <u>859,908</u> | | <u>1,118,252</u> |
| Total funds | | | <u><u>859,908</u></u> | | <u><u>1,118,252</u></u> |

Approved by the board on 10 May 2019 and signed on their behalf by

Prof Anton van Kalmthout
Treasurer

Prof Dirk van Zyl Smit
Chair

Penal Reform International

Statement of cash flows

For the year ended 31 December 2018

| | Note | 2018 € | Restated € | Restated 2017 € |
|---|------|------------------|---------------|-----------------------|
| Cash flows from operating activities | | | | |
| Net income / (expenditure) for the reporting period (as per the statement of financial activities) | | (199,194) | (373,378) | |
| Depreciation charges | | 3,930 | 9,961 | |
| Dividends, interest and rent from investments | | (1,579) | (988) | |
| (Increase)/decrease in debtors | | 236,839 | (122,136) | |
| Increase/(decrease) in creditors | | 1,183,301 | 372,557 | |
| Net cash used in operating activities | | 1,223,297 | | (113,984) |
| Cash flows from investing activities: | | | | |
| Dividends, interest and rents from investments | | 1,579 | 988 | |
| Purchase of fixed assets | | (1,022) | - | |
| Net cash provided by / (used in) investing activities | | 557 | | 988 |
| Change in cash and cash equivalents in the year | | 1,223,854 | | (112,996) |
| Cash and cash equivalents at the beginning of the year | | 1,537,274 | | 1,752,834 |
| Change in cash and cash equivalents due to exchange rate movements | | (59,150) | | (102,564) |
| Cash and cash equivalents at the end of the year | | 2,701,978 | | 1,537,274 |

1 Accounting policies

a) Statutory information

Penal Reform International is an international, independent non-governmental organisation (NGO). It is registered as an Association (registered number 40025979) in Groningen, the Netherlands.

b) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015).

The association is not required to apply the Charities SORP FRS 102 but the board have chosen to make the additional disclosures required of SORP on a voluntary basis.

The association has departed from the SORP in its policy for the recognition of restricted income. Restricted income is recognised to the extent that associated expenditure has been incurred, with unspent balances deferred into the future period. The Board considers this treatment is more appropriate to the association's circumstances as it applies a strict accruals concept and presents the balance sheet of the association more clearly.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

c) Public benefit entity

The association meets the definition of a public benefit entity under FRS 102.

d) Going concern

The board consider that it is appropriate to view the association as a going concern. They recognise that there is uncertainty over the continuation of some key income streams beyond the end of 2019. The association is actively monitoring this risk and developing its budgeting processes accordingly and has an adequate level of reserves to manage this process.

The board do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

e) Income

Income is recognised when the association has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the association has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Where income is received in advance that relates to a future period then the association considers that it is not yet entitled to this funding and so it is deferred.

f) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the purposes of the association.

Designated funds are unrestricted funds earmarked by the board for particular purposes.

g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the association in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose
- Expenditure on activities includes the costs undertaken to further the purposes of the association and their associated support costs
- Other expenditure represents those items not falling into any other heading

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

1 Accounting policies (continued)

h) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity.

Support and governance costs are re-allocated to each of the activities on the following basis which is an estimate, based on staff time, of the amount attributable to each activity

| | |
|---|-------|
| ● Raising funds | 14.9% |
| ● Advocating for Prison and Penal Reform | 41.3% |
| ● Reducing the use of imprisonment | 2.6% |
| ● Prevention of torture, cruel, inhumane or degrading treatment | 12.5% |
| ● Justice for Children | 4.6% |
| ● Women in the Criminal Justice System | 7.4% |
| ● Countering Violent Extremism and Radicalisation | |
| Inside Prisons | 15.9% |
| ● Abolition of the death penalty | 0.1% |

Governance costs are the costs associated with the governance arrangements of the organisation. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the organisation's activities.

i) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

j) Tangible fixed assets

Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Assets are capitalised where their purchase price exceeds €500.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

| | |
|----------------------|-------------|
| ● Computer equipment | 3 – 4 years |
|----------------------|-------------|

k) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

l) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Cash balances exclude any funds held on behalf of service users.

m) Creditors and provisions

Creditors and provisions are recognised where the association has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

n) Foreign currency translations

Monetary assets and liabilities in foreign currencies are translated into Euro at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Euro at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the net result for the year.

o) Pensions

The association operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the association in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the association to the fund. The association has no liability under the scheme other than for the payment of those contributions.

2 Income from donations and legacies

| | Unrestricted € | Restricted € | 2018 Total € | Unrestricted € | Restricted € | 2017 Total € |
|--|-------------------|-----------------|--------------------|-------------------|-----------------|--------------------|
| Small donations | 235 | - | 235 | - | - | - |
| Particip Gmbh | 7,456 | - | 7,456 | - | - | - |
| Vance Centre for International Justice | 2,117 | - | 2,117 | - | - | - |
| Open Society Foundation | - | 36,197 | 36,197 | - | 28,436 | 28,436 |
| | 9,808 | 36,197 | 46,005 | - | 28,436 | 28,436 |

3 Income from activities

| | Unrestricted € | Restricted € | 2018 Total € | Unrestricted € | Restricted € | 2017 Total € |
|--|-------------------|------------------|--------------------|-------------------|------------------|--------------------|
| Dutch Embassy – Yemen | - | 1,212,387 | 1,212,387 | - | 502,729 | 502,729 |
| European Union | - | 874,080 | 874,080 | - | 516,121 | 516,121 |
| Foreign and Commonwealth Office | - | 1,833,554 | 1,833,554 | - | 1,224,465 | 1,224,465 |
| INL – US State Department | - | 37,569 | 37,569 | - | 288,533 | 288,533 |
| MacArthur Foundation | - | - | - | - | 71,371 | 71,371 |
| Open Society Foundation | - | 214,611 | 214,611 | - | 237,080 | 265,516 |
| Thailand Institute of Justice | - | - | - | - | 64,117 | 64,117 |
| UN WOMEN | - | 60,633 | 60,633 | - | - | - |
| Women in Business – Georgia | - | 2,118 | 2,118 | - | - | - |
| UNICEF | - | 45,688 | 45,688 | 51,133 | 51,930 | 103,063 |
| UNOPS | - | - | - | 48,015 | - | 48,015 |
| Thai Institute of Justice | - | 38,465 | 38,465 | - | - | - |
| Permanent Mission of Denmark to UN Geneva | - | 3,050 | 3,050 | - | 28,780 | 28,780 |
| UNDP | - | 114,912 | 114,912 | - | - | - |
| UNOHCHR | - | - | - | - | 8,140 | 8,140 |
| OSCE | - | - | - | - | 229 | 229 |
| Swedish Prison and Probation Service | - | 1,706 | 1,706 | - | 17,279 | 17,279 |
| US Embassy – Astana | - | - | - | - | 28,616 | 28,616 |
| Dutch Ministry of Foreign Affairs | - | 149,782 | 149,782 | - | 135,540 | 135,540 |
| DRL – US State Department | - | 108,946 | 108,946 | - | 452,782 | 452,782 |
| Matrix Chambers | - | 5,078 | 5,078 | - | 620 | 620 |
| Search for Common Ground | - | - | - | - | 20,021 | 20,021 |
| Swiss FDFA | - | 81,390 | 81,390 | - | 2,240 | 2,240 |
| MINUSCA | - | 139,325 | 139,325 | - | - | - |
| British Embassy Bishkek | - | 1,358 | 1,358 | - | - | - |
| Nottingham University | - | 20,362 | 20,362 | - | - | - |
| ICHR Palestine | - | 38,594 | 38,594 | - | - | - |
| The Embassy of Ireland, Uganda | - | 4,293 | 4,293 | - | - | - |
| Eleanor Rathbone Charitable Trust | - | 230 | 230 | - | - | - |
| Total income from activities | - | 4,988,131 | 4,988,131 | 99,149 | 3,650,594 | 3,778,179 |

4 Resources expended

| | Direct costs € | Support & Governance costs € | 2018 Total € | Restated Direct costs € | Restated Support & Governance costs € | Restated 2017 Total € |
|---|-------------------|---------------------------------------|--------------------|-------------------------------|---|--------------------------------|
| Raising funds | 36,197 | 41,474 | 77,671 | 30,263 | 45,603 | 75,866 |
| Activities | | | | | | |
| Advocating for Prison and Penal Reform | 2,440,889 | 84,189 | 2,525,078 | 1,376,373 | 105,792 | 1,482,165 |
| Reducing the use of imprisonment | 154,978 | 5,346 | 160,324 | 575,810 | 44,597 | 620,407 |
| Prevention of torture, cruel, inhumane or degrading treatment | 740,346 | 25,536 | 765,882 | 769,370 | 56,668 | 826,038 |
| Abolition of the death penalty | 4,445 | 154 | 4,599 | - | - | - |
| Justice for Children | 273,604 | 9,437 | 283,041 | 258,323 | 20,454 | 278,777 |
| Women in the Criminal Justice System | 433,975 | 14,968 | 448,943 | 288,179 | 22,466 | 310,645 |
| Countering Violent Extremism and Radicalisation Inside Prisons | 939,894 | 32,417 | 972,311 | 520,366 | 39,735 | 560,101 |
| | 5,024,328 | 213,521 | 5,237,849 | 3,818,684 | 335,315 | 4,153,999 |

5 Governance costs

| | 2018 Total € | 2017 Total € |
|----------------------------|--------------------|--------------------|
| Audit and accountancy fees | 12,116 | 15,047 |
| Board expenses | 20,785 | 22,759 |
| Annual report | 4,520 | 3,489 |
| | 37,421 | 41,295 |

For the year ended 31 December 2018

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

| | 2018 € | 2017 € |
|---|-----------|-----------|
| Depreciation | 3,930 | 9,961 |
| Operating lease rentals: | | |
| Property | 147,072 | 167,995 |
| Equipment | 3,952 | 9,939 |
| Auditor's remuneration (excluding VAT): | | |
| Audit | 10,005 | 8,700 |
| Other services | 1,733 | 1,500 |
| Foreign exchange gains or losses | (59,150) | (102,564) |

7 Analysis of staff costs, board remuneration and expenses, and the cost of key management personnel

| | Restated | |
|---|------------------|------------------|
| | 2018 € | 2017 € |
| Staff costs were as follows: | | |
| Salaries and wages | 1,038,545 | 1,149,312 |
| Social security costs | 57,374 | 73,954 |
| Employer's contribution to defined contribution pension schemes | 37,718 | 22,496 |
| Termination payments | 7,271 | 9,852 |
| | <u>1,140,908</u> | <u>1,255,614</u> |

One employee earned more than GBP 60,000 during the year (2017: One).

The total employee benefits including pension contributions of the key management personnel were €358,855 (2017: €468,447).

Two members of the Board were paid €4,203.28 and €888.13 respectively in consultancy fees in the year in the year (2017: nil members, €nil).

Board members' expenses represents the payment or reimbursement of travel and subsistence costs totalling €16,084 (2017: €15,817) incurred by 9 (2017: 9) members relating to attendance at meetings of the board.

8 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was 35.5 (2017: 31.0)

9 Related party transactions

Some of the members of Penal Reform International are also Directors of Penal Reform International UK, a company registered in England and Wales. Penal Reform International UK has entered into a lease for 1 Ardleigh Road, London, N1 4HS. The premises are occupied by Penal Reform International, and during the year rental costs of €48,074 were recharged to Penal Reform International (2017: €47,809).

Penal Reform International UK also operates the payroll on behalf of Penal Reform International's staff which are based in the UK, and costs of €365,520 were recharged to Penal Reform International during the year (2017 – €436,434)

As at 31 December 2018 Penal Reform International owed €9,344 (2017: €19,045) to Penal Reform International UK.

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

10 Taxation

The association has an agreement with HMRC that the grants and donations income of the association will not be subject to UK taxation. Interest received up to £5,000 per annum is also not subject to UK taxation. Where interest exceeds £5,000 per annum then the total amount of interest received is liable to UK taxation.

11 Tangible fixed assets

| | Computer equipment € | Total € |
|--------------------------|----------------------------|---------------|
| Cost or valuation | | |
| At the start of the year | 62,663 | 62,663 |
| Additions in year | 1,022 | 1,022 |
| At the end of the year | <u>63,685</u> | <u>63,685</u> |
| Depreciation | | |
| At the start of the year | 58,206 | 58,206 |
| Charge for the year | 3,930 | 3,930 |
| At the end of the year | <u>62,136</u> | <u>62,136</u> |
| Net book value | | |
| At the end of the year | <u>1,549</u> | <u>1,549</u> |
| At the start of the year | <u>4,457</u> | <u>4,457</u> |

12 Debtors

| | 2018 € | 2017 € |
|--------------------------|----------------|----------------|
| Accrued income | 178,613 | 414,410 |
| Amounts held by partners | 130,805 | 134,519 |
| Prepayments | 39,558 | 30,623 |
| Other debtors | 16,405 | 22,668 |
| | <u>365,381</u> | <u>602,220</u> |

13 Creditors: amounts falling due within one year

| | 2018 | Restated 2017 |
|------------------------------|------------------|------------------|
| | € | € |
| Trade creditors | 38,070 | 18,852 |
| Taxation and social security | 5,799 | 9,493 |
| Other creditors | 149,817 | 129,348 |
| Accruals | 27,018 | 27,976 |
| Deferred income | 1,988,296 | 840,030 |
| | <u>2,209,000</u> | <u>1,025,699</u> |

14a Analysis of net assets between funds (current year)

| | General unrestricted | Restricted | Total funds |
|--|-------------------------|------------|----------------|
| | € | € | € |
| Tangible fixed assets | 1,549 | - | 1,549 |
| Net current assets | 858,359 | - | 858,359 |
| Net assets at the end of the year | <u>859,908</u> | <u>-</u> | <u>859,908</u> |

14b Analysis of net assets between funds (prior year)

| | Restated General unrestricted | Restricted | Restated Total funds |
|--|-------------------------------------|------------|-------------------------|
| | € | € | € |
| Tangible fixed assets | 4,457 | - | 4,457 |
| Net current assets | 1,113,795 | - | 1,113,795 |
| Net assets at the end of the year | <u>1,118,252</u> | <u>-</u> | <u>1,118,252</u> |

15a Movements in funds (current year)

| | Restated | | | | At 31 December 2018 € |
|---|---------------------------|------------------------|------------------------------|----------------|--------------------------------|
| | At 1 January 2018 € | Income & gains € | Expenditure & losses € | Transfers € | |
| Restricted funds: | | | | | |
| Fundraising | - | 36,197 | (36,197) | - | - |
| Advocating for Prison and Penal Reform | - | 2,443,953 | (2,440,889) | (3,064) | - |
| Reducing the use of imprisonment | - | 152,425 | (154,978) | 2,553 | - |
| Prevention of torture, cruel, inhumane or degrading treatment | - | 739,599 | (740,346) | 747 | - |
| Abolition of the death penalty | - | 4,445 | (4,445) | - | - |
| Justice for Children | - | 272,110 | (273,604) | 1,494 | - |
| Women in the Criminal Justice System | - | 433,975 | (433,975) | - | - |
| Countering Violent Extremism and Radicalisation Inside Prisons | - | 941,624 | (939,894) | (1,730) | - |
| Total restricted funds | - | 5,024,328 | (5,024,328) | - | - |
| Unrestricted funds: | | | | | |
| MENA office | 23,485 | - | (16,600) | - | 6,885 |
| South Caucasus Office | 8,808 | 2,906 | (5,514) | - | 6,200 |
| General funds | 1,092,878 | (47,729) | (191,407) | - | 853,742 |
| Total unrestricted funds | 1,118,252 | (44,823) | (213,521) | - | 859,908 |
| Total funds | 1,118,252 | 4,979,505 | (5,237,849) | - | 859,908 |

15b Movements in funds (prior year)

| | Restated | | Restated | | Restated |
|--|---------------------------|------------------------|------------------------------|----------------|--------------------------------|
| | At 1 January 2017 € | Income & gains € | Expenditure & losses € | Transfers € | At 31 December 2017 € |
| Restricted funds: | | | | | |
| Advocating for Prison and Penal Reform | - | 1,334,668 | (1,327,749) | (6,919) | - |
| Reducing the use of imprisonment | - | 574,023 | (574,023) | - | - |
| Prevention of torture, cruel, inhumane or degrading treatment | - | 767,099 | (767,099) | - | - |
| Fundraising | - | 28,436 | (28,436) | - | - |
| Justice for Children | 17,669 | 186,537 | (204,322) | 116 | - |
| Women in the Criminal Justice System | 17,668 | 269,493 | (287,278) | 117 | - |
| Countering Violent Extremism and Radicalisation Inside Prisons | - | 518,775 | (518,775) | - | - |
| Total restricted funds | 35,337 | 3,679,030 | (3,707,681) | (6,686) | - |
| Unrestricted funds: | | | | | |
| MENA office | 10,665 | 99,149 | (93,248) | 6,919 | 23,485 |
| South Caucasus Office | 9,370 | - | (562) | - | 8,808 |
| General funds | 1,538,823 | 2,442 | (455,073) | 6,686 | 1,092,878 |
| Total unrestricted funds | 1,558,858 | 101,591 | (548,883) | 6,686 | 1,118,252 |
| Total funds | 1,696,795 | 3,780,621 | (4,256,564) | - | 1,118,252 |

Purposes of restricted funds

Restricted funds are amounts received which are restricted by the donor towards a specific activity of the association.

16 Legal status of the association

The association is registered in the Netherlands and has no share capital.

17 Operating lease commitments

The association's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

| | Property | | Equipment | |
|--------------------|---------------|----------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £ | £ | £ | £ |
| Less than one year | 56,080 | 77,023 | 1,109 | 1,118 |
| One to five years | 29,595 | 78,577 | 1,941 | 3,075 |
| | <u>85,675</u> | <u>155,600</u> | <u>3,050</u> | <u>4,193</u> |

Notes to the financial statements

For the year ended 31 December 2018

22 Impact of prior year adjustments

During the year, a liability towards termination payments for staff in the MENA office came to light. Annual changes to this liability have been reflected in the 2018 accounts as expenditure. However, these liabilities should have been recognised in prior periods, and so an adjustment has been made to the account to correct for this. The impact of this adjustment on each relevant period is explained below.

| Reserves position | Unrestricted £ | Restricted £ | Total £ |
|---|-------------------|------------------|------------------|
| Total funds at 1 January 2017 as previously stated | 1,661,458 | 35,337 | 1,696,795 |
| Adjustment to recognise liability accrued before then | (102,600) | – | (102,600) |
| Total funds as at 1 January 2017 as restated | <u>1,558,858</u> | <u>35,337</u> | <u>1,594,195</u> |
| Total funds at 1 January 2018 as previously stated | 1,238,047 | – | 1,238,047 |
| Adjustment pre-2017 as above | (102,600) | – | (102,600) |
| Increase in termination payment liability for 2017 financial year | (17,195) | – | (17,195) |
| Total Funds as at 31 March 2016 as restated | <u>1,118,252</u> | <u>–</u> | <u>1,118,252</u> |
| | | | |
| Impact on expenditure | Unrestricted £ | Restricted £ | Total £ |
| Net expenditure for 2017 as previously reported | 429,123 | 3,707,681 | 4,136,804 |
| Increase in termination payment liability for 2017 financial year | 17,195 | – | 17,195 |
| Net expenditure for 2017 as restated | <u>446,318</u> | <u>3,707,681</u> | <u>4,153,999</u> |

23 Post balance sheet events

After the year end, the organisation opened a new office in Kyrgyzstan.