

Penal Reform International

Report and financial statements

For the year ended 31 December 2016

Contents

For the year ended 31 December 2016

Reference and administrative information	1
Board Members' annual report	2
Independent auditor's report	17
Statement of financial activities (incorporating an income and expenditure account)	21
Balance sheet	22
Statement of cash flows	23
Notes to the financial statements	24

Reference and administrative information

For the year ended 31 December 2016

Registered office and operational address 1 Ardleigh Road, London N1 4HS

Board

Honorary Presidents 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 (elected April 2016)
Juliet Lyon, CBE, UK	Secretary General (retired April 2016)
Olawale Fapohunda, Nigeria	Deputy Secretary General (retired April 2016)
David Fathi, USA	Board member (elected January 2016)
Maria Eugenia Hofer Denecken, Chile	Board member (retired April 2016)
Roselyn Karugonjo Segawa, Uganda	Board member (elected January 2016)
Natalia Khutorskaya, Russia	Board member
Paula Litvachky, Argentina	Board member (elected January 2016)
John Nyoka, Tanzania	Board member (elected January 2016)
Simone Othmani-Lellouche, France and Tunisia	Board member (retired April 2016)
Prof Sir Nigel Rodley, UK	Board member (elected January 2016, died January 2017)
Vera Tkachenko, Kazakhstan	Board member
Prof Robert van Voren, Lithuania and Netherlands	Board member (elected January 2016)
Prof Ping Wang, China	Board member

Country of registration and incorporation The Netherlands

Key management personnel	Alison Hannah	Executive Director
	Andrea Huber	Policy Director
	John Usher	Head of International Finance
	Nikhil Roy	Programme Development Director
	Azamat Shambilov	Regional Director (Central Asia)
	Taghreed Jaber	Regional Director (Middle East and North Africa)
	Vika Sergeyeva	Regional Director (Russia, Ukraine and Belarus)
	Tsira Chanturia	Regional Director (South Caucasus)

Banker HSBC Bank
512 Brixton Road
London SW9 8ER

Reference and administrative information

For the year ended 31 December 2016

Solicitors	Russell-Cooke 2 Putney Hill London SW15 6AB
-------------------	---

Auditor	Sayer Vincent LLP Chartered Accountants and Statutory Auditor 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 2016.

Penal Reform International (PRI) is an international, independent non-governmental organisation (NGO). It is registered as an Association (registered number 40025979) in Groningen, the Netherlands. It has its head office in London and four regional offices, which are registered as branches of PRI in the countries where the regional offices are based (Georgia, Jordan, Kazakhstan, and Russia). It has recently registered an office in Uganda, also as a branch of PRI. All offices are covered by the arrangements set out in the Constitution. 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.

Objectives and activities

Purposes and aims

PRI's governing document is its Constitution, which sets out its objects, mission and powers as a registered association. In 2014 the Constitution was revised and registered in the Netherlands.

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

- a) The development and implementation of international human rights instruments with regard 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 rather than retribution. It works as a catalyst for systemic change through a 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.

Achievements and performance

Overview

PRI has an agreed strategic plan for the period 2015–2020. The four outcomes we aim to achieve 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;

Board Members' annual report

For the year ended 31 December 2016

- 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.

As our capacity to deliver these outcomes depends on grant funding being available, we have an annual workplan setting out activities that contribute towards achieving one or other of these outcomes during the year. These are funded through a range of donor grants; all planned activities were delivered as intended unless a minor variation was agreed with the donor.

Highlights

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

- Publication of the Global Prison Trends Report 2016 (our annual flagship publication) and 10-point plan to reduce pre-trial detention – both valuable advocacy tools
- Guidance developed on interpretation and implementation of the Nelson Mandela Rules for the treatment of prisoners
- Promotion and steps to implement the Nelson Mandela Rules in all countries where we work
- Continuing implementation of the Bangkok Rules for women offenders
- Successful advocacy relating to the UN Special Session on drug policies (UNGASS)
- Innovative research and development of gender-sensitive community service for women offenders in Kenya
- Attendance at the African Commission for Human and People's Rights to highlight the gender-specific needs of women prisoners
- Changes in the law and practice in Kazakhstan and Kyrgyzstan to reform secure facilities for children in conflict with the law and reduce the incidence of violence against children
- Expert input to draft the code and pre-sentence framework for children in conflict with the law in Georgia
- Continued development of child-friendly justice system in Yemen, and improved facilities for women and babies in prison, despite the conflict situation
- Changes to law and policy to protect the rights of vulnerable prisoners in Ukraine
- Changes strengthening the law on probation in Armenia, Georgia, Jordan, Kazakhstan, Morocco and Tunisia
- Improved healthcare for women prisoners and children in Kazakh and Russian prisons
- Practical programmes to strengthen torture prevention in all regions where we work

Further information about these results is set out below.

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

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.

The 2016 Global Prison Trends report was launched in May, covering major changes and developments in prison populations, practice and policy. It provides a benchmark for developing trends in policy and practice. Our 10-point plan to reduce pre-trial detention is downloadable from our website and is used as an advocacy tool. Advocacy and training on implementation of the Bangkok Rules for women offenders and the Nelson Mandela Rules to improve the treatment and conditions for prisoners also contribute towards this outcome.

Regional office activities included continuing work by the Middle East and North Africa (MENA) office in Algeria to increase the use of bail, reduce the use of pre-trial detention and promote implementation of legal aid systems to improve access to justice in criminal cases. In Algeria, workshops for the police, gendarmerie, public prosecutors, judges, prison authorities and NGOs raised awareness of the rights of accused people, encouraged the use of bail and promoted the UN Guidelines on legal aid in the criminal justice system. Child –friendly justice systems were developed in Yemen and implemented where the war situation permitted. In Tunisia, we worked with UNICEF to improve the juvenile justice system through implementation of the international standards respecting the rights of the child.

Our Moscow office strengthened independent monitoring of places of pre-trial detention in Belarus. Training for NGOs was delivered to improve their monitoring skills. A second round of monitoring police units took place during July and August in two regions of the country. Twenty five police units were monitored, and the reports highlighted the unhygienic conditions of police facilities, a lack of general information for people held in detention and no facilities for disabled people. The police departments accepted the recommendations and indicated a readiness to improve. A second international Public Forum on Citizens and the Police: Interaction based on Trust was attended by 60 representatives of Belarus and other CIS countries to discuss ways to improve transparency and accountability of law enforcement bodies in Belarus.

In South Caucasus, the PRI office developed a system for pre-sentence reports for children in conflict with the law in Georgia so the court has good information on which to base its decisions. We identified shortcomings in the policy and legal framework that discriminate against women in the criminal justice system.

In Central Asia, we completed a pilot project for UNICEF to develop juvenile probation services. We developed a new university project on human rights for students (a Capstone project) and provided training for the professors teaching the course at the national university of Kazakhstan.

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.

Alternatives to detention

The Policy Director promoted the use of non-custodial sanctions for women offenders and implementation of the Bangkok Rules for women offenders. One concrete example of this is a pilot project in Kenya we are delivering in partnership with the Kenya Probation Service, for research and development of gender-sensitive probation and community service orders. After publication of the research, the government announced that steps would be taken to decongest prisons and specifically to decriminalise illegal alcohol brewing and collection of firewood which penalise very poor people – and women – disproportionately. Lessons learned from the research and the development of gender-sensitive tools for the probation service are being shared within the region and globally; one lesson identified is the need for pre-sentence reporting to indicate appropriate conditions and sentences.

In East Africa, our pilot programme to expand the use of probation and community service orders in Kenya, Tanzania and Uganda came to an end. The evaluation showed that it has indeed led to an increase of non-custodial orders made and the range and supervision of placements has expanded and improved in terms of rehabilitative impact. It has had a high degree of success and was judged to be effective and an efficient use of resources. However, it also indicated that staff capacity must be increased to manage a greater number of orders as there may otherwise be a rise in the number of orders not completed.

Our MENA office is working with the probation service in Sousse, Tunisia, developing and creating more placements for community-based sanctions and providing training for judges. Policies and guidelines for probation officers, judges and institutions were produced and disseminated. We published a research paper on the benefits of using alternatives to detention at pre-trial and conviction. A study visit for Tunisian probation officers, judges and prison officials was organised, enabling them to share their experience with their counterparts in Algeria. Later in the year PRI held four workshops for judges and lawyers on alternatives to detention to promote this sanction. At the same time as developing the pilot project on probation in Sousse, the MENA office

is developing a similar pilot in Morocco so that by the end of the programme both countries will have established community service sanctions that the courts and stakeholders use effectively. In Algeria a programme is also under way to promote alternatives to detention, particularly for minor and first-time offenders. This enables offenders to maintain their family relationships and work or education commitments while serving a sentence. It works with stakeholders in the justice sector and NGOs to improve cooperation between the different agencies.

Our Central Asia office continues to promote the use of alternatives to detention. The Parliamentary working group in Kazakhstan, of which PRI is a member, recommended a new law on probation and the legislation was adopted in December. This is the first free-standing law on probation in Central Asia. It includes special reference to women and children, which was included following PRI's recommendation to Parliamentarians.

During the report period, the office delivered a pilot project for UNICEF on probation for children. Child-friendly probation offices were established and a gender-sensitive perspective was included in all activities. The results will be presented to the government for potential replication on a national scale.

In Georgia, PRI's South Caucasus office organised workshops for probation staff (social workers and psychologists) to improve their knowledge and skills in preparing pre-sentence reports for children, involving the use of Dutch experts. Recommendations were made to improve the practice and quality of reports. In November, focus group meetings for national experts, social workers and psychologists identified gaps and challenges in pre-sentence reporting. In December a working meeting held with ten judges discussed the findings of the study on pre-sentence reporting to develop a more proportionate sentencing approach. In Moldova, we provided experts to support the national programme to improve probation services.

Abolition of the death penalty and promoting humane alternatives

This is one of PRI's longstanding aims. In Kazakhstan, the death penalty remains in the Criminal Code as an exceptional measure for the crime of terrorism and similarly grave crimes. There is an indefinite moratorium against executions since 2003 and 133 people are serving life sentences. In June our MENA office launched the PRI report on sharia law and the death penalty at a World Congress side event, attended by over 150 people. The report is a useful advocacy tool to demonstrate that there is a valid interpretation of Islamic law in which the death penalty is not mandatory in all circumstances. Our Moscow office Regional Director spoke at a Council of Europe conference on abolition of the death penalty in Belarus, sharing the results of public opinion surveys carried out in 2013–14.

Proportionate sentencing – taking account of the circumstances of the offender

In Ukraine, we work with local NGO partner, Public Advocate, to strengthen the role of civil society to protect the rights of vulnerable groups of offenders. The project raises awareness of the special needs of women, children and disabled people caught up in the criminal justice system. International standards are clear that detention for children should only be used as a measure of last resort and for all these vulnerable groups their mental as well as physical health will suffer long-term damage as a result of imprisonment. By raising awareness among stakeholders of the

problems faced by vulnerable groups, a more integrated approach to supporting them has been developed.

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. Prisoners are sentenced to imprisonment as the punishment, not for further punishment. 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; Nelson Mandela Rule 5 states that ‘the prison regime should seek to minimise any differences between prison life and life at liberty that tend to lessen the responsibility of the prisoners or the respect due to their dignity as human beings’.

Promoting implementation of the revised Standard Minimum Rules – the Nelson Mandela Rules

This remains a top priority and all offices have carried out activities to achieve this outcome. Our Policy Director organised an expert group (the Essex group) that drafted guidance to the Rules and which will also provide the basis for the forthcoming guidance being prepared by the Organisation for Security and Cooperation in Europe (OSCE), with input from PRI. We gave presentations and disseminated materials on the Rules to a wide range of international bodies and forums, building up a body of good practice examples, including videos and audio recordings, as well as written material. Copies of the PRI short guide to the Rules are now available in English, French, Georgian, Swahili and Amharic. A Russian version is in translation.

In MENA, PRI worked with the prison department in Morocco to redraft the prison code in line with the Nelson Mandela Rules and a series of national consultation events subsequently took place. In Morocco, Algeria and Tunisia, PRI is seeking to develop support from NGOs for penal reform and practical support for prisoners. All training for prison personnel refers to the Nelson Mandela Rules, as well as the provisions of the Bangkok Rules, to ensure the needs of women offenders are taken into account. We continue to work with our local NGO partner to deliver a wide-ranging programme of penitentiary reform in Yemen, although implementation of the programme has been affected by the conflict situation, which has meant that some components cannot be safely or effectively delivered. In Russia we helped develop the professional skills of prison staff and 70 participants attended the training.

Women offenders and the Bangkok Rules

Our Policy Director has given a number of workshops on gender-sensitive prison management, including to prison officers and probation officers in Kenya

Our MENA office includes implementation of the Bangkok rules in promoting gender-sensitive systems and child-friendly justice in Algeria, Morocco, Tunisia and Yemen – they are a cross-cutting theme in all projects. One example is the opening of four new mother and baby units in Yemeni prisons between October and December; health clinics for women were also upgraded to

include the medicine and supplies needed by women and their children. A vegetable garden was created in the women's section of Sanaa prison, to be planted by women prisoners. A filing system for prisoner information was established, together with a database for current prisoners, both software and paper versions.

In Georgia research was carried out to find out more information about women offenders and the final report and recommendations were presented at a roundtable event in November. Twelve monitoring visits to the women's prison were carried out and identified issues including family visits, phone calls, arrangements for mothers with babies in prison, preparation for release and other concerns. The visits showed there was a serious problem with invasive body searches of women, during which they were completely naked. After reporting on the issues raised from the visits, the Ministry of Corrections installed two X-ray body scanners and improved their procedures for searches, so that strip searches are no longer routinely performed. If invasive searches are considered necessary they are now carried out by a female doctor from outside the prison medical service. In the latter half of the year, the Ministry of Corrections drafted a law to grant occasional short leaves for women prisoners to facilitate contact with their children. We broadcast two programmes on public radio in Georgia during this report period, with one focusing on the conditions, treatment and human rights of women prisoners; representatives of the Ministry of Corrections and the Public Defender's office took part in the broadcast.

In Russia, PRI's membership of two Working Groups allowed us to contribute to changing legislation that has made a difference to the lives of women prisoners with children. Legislation was drafted to give some prisoners the right to live and work outside a penal colony for the final six months of a prison sentence. Women with a child under 14 (or disabled) and single fathers will gain the right to four meetings with the children each year, to take place outside the prison. In December the State Duma adopted amendments to the Criminal Executive Code to provide 'parents days' for prisoners with children up to the age of 14. Parents would be allowed to leave the colony to visit the children so long as they remain within the district. These changes in legislation, which are very important for women prisoners, took place as a result of the activities of the working group of which PRI was a member.

Children in detention

In Russia, we concluded a project to strengthen civil society's role in protecting the rights of children in conflict with the law and in detention. It increased civil society organisations' understanding of the rights of children in the criminal justice system and led to improved compliance with international standards. We worked with the Department of Social Work in Tomsk state university and a Tomsk NGO, to organise a media workshop on the rights of children and the criminal justice system. Examples of good practice in the region were presented, with particular focus on the use of restorative justice measures.

Torture prevention

All regional offices promote independent prison monitoring and support monitoring bodies – both public oversight bodies and NPMs.

In Central Asia, we obtained a grant to support torture prevention measures in five countries, including Turkmenistan and Uzbekistan. It will improve the work of the national preventive mechanisms (NPMs) in Kazakhstan and Kyrgyzstan, strengthen law and practice to prevent torture and provide greater oversight in closed facilities in Tajikistan, Turkmenistan and Uzbekistan. In November, we collaborated with an event in Tashkent, Uzbekistan, organised with the UNODC and OSCE Office for Democratic Institutions and Human Rights. Key issues included the independence of the judiciary, sentencing trends, prosecution of terrorist offences and torture prevention.

We launched the Nelson Mandela Rules at a roundtable event in Astana, Kazakhstan, with government and official bodies as well as human rights organisations and NGOs. We carried out a review of the Criminal Codes and Criminal Executive Codes in Kazakhstan and Kyrgyzstan to identify areas in conflict with the Rules for the treatment of prisoners, and are a member of the Kazakh Parliamentary Working Group amending the Criminal Executive Code.

A visit was made to the lifers' prison in Kostanay, Kazakhstan, and the prison authorities agreed that PRI's experts could carry out an anonymous survey of prisoners serving life sentences, to assess their situation and conditions in the light of the new Criminal Executive Code. Interviews were held with staff as well as prisoners. The research report has been prepared in Russian only and recommendations presented to the authorities. Copies of the Nelson Mandela Rules were disseminated to prison staff and several publications were donated to the prisoners' library.

A three-year programme to end violence against children in detention in Kazakhstan, Kyrgyzstan and Tajikistan was completed. By the end of the programme, over 300 staff in places of detention in the three countries had received training on international standards, laws and good practice on the rights of children. A third Voice of the Child survey was carried out and the results for all three countries presented at an international symposium in September. The results again showed that most abuse occurred at the hands of the police although ill treatment also occurred in children's closed institutions. A report will be published shortly. Legislative change has been drafted in the three countries to improve the situation for children in detention and prohibit children being kept with adults in closed institutions. In Kazakhstan, legislation has reduced the time that children may be kept in solitary confinement from seven to three days, and the same is now the case in Kyrgyzstan. Recommendations for changing the law on solitary confinement for children were submitted to the government in Tajikistan.

In MENA, PRI supports the independent inspection team that monitors child care centres (which include children in conflict with the law) in Jordan and provided training for members of the team and for employees of the Ministry of Social Development. In Algeria, PRI delivered a training workshop for the National Centre for Human Rights, which is responsible for monitoring places of detention; it included an update on the Nelson Mandela and Bangkok Rules. After the training, PRI developed a specialist monitoring toolkit for use in prison monitoring, with reference to Algerian law as well as international standards.

In Georgia we produced a policy briefing on public scrutiny of prisons, presented at an event in July. We work on torture prevention in both Georgia and Armenia. In Armenia, we are

strengthening the NPM through civil society engagement as it lacks both financial and human resources. We aim to develop effective complaints and external monitoring systems for people in detention. We work with civil society partners to advocate for reform, develop guidance and training for the NPMs, develop special tools for NPM members and raise public awareness about the role of the NPM. In Armenia the baseline report was drafted with recommendations for developing monitoring tools and training. In both Armenia and Georgia, monitoring visits will be made to police detention units to produce a report and recommendations. Legislative and policy change will be identified and promoted in both countries.

In Russia, a PRI member of staff is a member of the Moscow Public Oversight Commission and has carried out up to 20 visits to pre-trial detention centres during the report period, preparing reports for the prison authorities on the situation inside the centres and violation of people's rights.

Managing violent extremist and radicalised prisoners

Over the past year or so, this has become an issue of great interest in many countries where we work. We have developed an extensive body of expertise and knowledge from our national, regional and international activities, networks and partners; we have organised and participated in many events to share this learning and discuss good practice. Indeed, we are recognised as a leader in this field and frequently invited to share our knowledge. This includes taking part in the expert groups helping to draft the recently published UNODC handbook on the Management of Violent Extremist Prisoners and the Prevention of Radicalisation to Violence in Prisons. Regional Directors from Central Asia and MENA, as well as the Executive and Policy Directors, have given presentations on this subject and taken part in international events to share information and understanding.

We organised a roundtable in Kazakhstan to discuss strategies for preventing radicalisation in prisons – currently there are over 120 prisoners serving sentences for extremist offences and there is a worry that more prisoners will become radicalised while in prison. In Morocco, we launched a new project in December to combat violent extremism in prisons. Our research will include women prisoners who have been radicalised – there are 49 women prisoners in Morocco convicted of terrorist crimes. In our work in Algeria, Morocco, Tunisia and Yemen, the MENA office is developing training and teaching curriculums for prison staff on violent extremism and radicalisation in detention, and to share best practice and country experiences. The project in Morocco will draw on this expertise and develop tools that can be used throughout the region, including the development of a risk assessment tool that can be adapted to different national systems.

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 after release from prison 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.

The health of women and children in two Kazakh prisons has been improved through a donor-funded project through provision of medical and social services, vocational and education classes and socio-psychological support. The Kazakh government recognises the importance of effective social rehabilitation programmes. In Kyrgyzstan, PRI is preparing an expert paper on resocialisation and employment of prisoners and is working with the prison service to improve the employment prospects of ex-prisoners. During the report period, a two-day training was given for penitentiary staff, which also included a session on mediation as a resocialisation method. The participants identified two main problems as obtaining passports (which are necessary to obtain benefits) and finding a job.

In Ukraine, we implemented a programme to protect the human rights of vulnerable groups of offenders, by strengthening the role of local NGOs in providing support mechanisms for former offenders. A training of trainers was given to social workers, local activists and volunteers from the Kiev region and trainings were given for probation officers too. An inter-regional seminar was held for local authorities, civil society organisations and law enforcement bodies. This exchanged experience on working with vulnerable offenders and their families. Our project partners took part in meetings of the Working Group to discuss amendments to local legislation.

In Tunisia, we are piloting open prisons in Sousse and enhancing the contact between prisoners and the outside world, through a small grants programme with local NGOs supporting reintegration of offenders. In one prison, mental health services have been provided, as well as vocational training. The prison guidelines are being revised in line with the Bangkok and Nelson Mandela Rules and we work with lawyers and the Bar Association to ensure prisoners have access to legal advice.

Monitoring and evaluation

During the year we developed a learning and sharing strategy with five aims:

1. PRI plays an active role in the wider sector, drawing on evidence of high-impact work
2. A reflective approach to strategy implementation to grow the organization
3. Policy work draws on, as well as informs, PRI's project work to create a stronger two-way connection between policy and projects
4. A learning and reflective approach to project cycle management that increases the quality and impact of PRI's projects
5. Skills, knowledge and capacity of staff strengthened so that every PRI staff member is a reflective practitioner

A roadmap and toolkit to provide practical instructions for implementation was agreed.

Information and communications

Over the three-month period September to December, there were 40,536 visits to the PRI website, a 30% increase on the same period in 2015.

The most popular PRI publications downloaded were:

- 1 10-point plan on reducing overcrowding
- 2 Short Guide to the UN Bangkok Rules
- 3 Short Guide to the Nelson Mandela Rules
- 4 Global Prison Trends 2016
- 5 Unintended consequences of the war on drugs briefing

We continued our monthly series of expert guest blogs on a wide range of topics, which are included in our monthly e-newsletters, promoted on twitter and provided as audio podcasts also.

A 10-minute short film on gender-sensitive community service in Kenya was launched with the research report in Nairobi on 3 October. The film is used by PRI and partners to promote awareness of gender-specific issues facing women offenders serving non-custodial sanctions in Kenya and beyond.

Beneficiaries of our services

PRI's end beneficiaries are men, women and children in contact and conflict with the criminal justice system, including those held in prison and places of detention.

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

Financial review

During the year under review the association has made a surplus of €72,514 (2015 €178,686) on its unrestricted funds. This surplus would have been considerably higher but the association incurred exchange rate losses of €224,184. The majority of this loss was a result of the association holding the majority of its funds in GBP at year end.

Organisational income exceeded €5m for the first time since 2004. Total income increased by 7% compared to 2015 (€4.7m), the primary reason for this increase was the significant increase in income generated by the PRI MENA office compared to 2015.

PRI previously received a five-year unrestricted grant from DFID which ended on 31 December 2016. Currently, PRI has not secured any other unrestricted funding to replace this grant. Consequently, steps have been taken to reduce costs and renew fundraising efforts to broaden the donor pool, and a Fundraising Manager is being recruited to support these efforts.

Unrestricted expenditure decreased by 30% compared to 2015, this was mainly as a result of the board's decision to budget for a significant surplus on PRI's unrestricted funds during 2016 in order to contribute towards PRI's 2017 budget. The weakening of the GBP against the Euro during 2016 also contributed to the reduction in unrestricted expenditure.

At the start of the year, the Board agreed to establish a small office based in Kampala, Uganda. The aim was to explore the potential for the office to obtain sustainable funding for penal reform work in sub-Saharan Africa. The office was financially supported for the first year through the PPA grant from DFID. However, by the end of the year, no funding had been obtained to maintain the office and a decision will be made shortly about its ongoing financial viability.

As at 31st December 2016 the association held free reserves of €1,661,458 (2015 €1,588,944)

No funds were held 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 significantly exceed this target, but due to the financial challenges presented by the ending of the DFID PPA grant in 2016 the Board felt it was necessary to hold reserve funds in excess of the target stated above to help secure the organisation financially in the short to medium term.

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 for the year ahead include 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

Plans for the future

The context in which PRI works is quite volatile and its ability to achieve results can be affected by external events, such as political change or conflict situations. However, the strategic plan provides a framework for activities and outcomes up to 2020; many current initiatives will continue over the next year or so. These include:

- Research and publication of the third issue of the Global Prison Trends Report for 2017
- Reducing pre-trial detention and expanding diversion systems for children in conflict with the law
- Penitentiary reform in Yemen, including better conditions for women and children in detention
- 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
- Mainstreaming a gender-specific approach to all penal reform programmes and initiatives
- Continuing advocacy for death penalty abolition and humane alternatives
- Promotion of the Bangkok Rules and a gender-sensitive approach to sentencing women offenders
- Torture prevention and prison oversight programmes in Armenia, Georgia, Kazakhstan
- Human rights approach to management of violent extremist and radicalised prisoners
- 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 – for example in Georgia, Kazakhstan and Kyrgyzstan

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

Board Members' annual report

For the year ended 31 December 2016

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, currently Alison Hannah, who reports directly to the Board and Executive Board to set out progress on agreed priorities with reference to PRI's strategic plan.

Appointment of the Board

The Board is elected by the Association (PRI)'s membership. 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.

In compliance with this procedure, elections took place in January 2016.

Board induction and training

No formal training is given to Board members. However, on joining the Board, they are sent an induction pack containing key information and documents about PRI to help them carry out their responsibilities. The key information includes a copy of the Constitution, previous Board minutes and copies of the key policies and procedures relevant for Board members, as previously agreed.

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 Organisation'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 22 April 2017 and signed on their behalf by

A handwritten signature in black ink, appearing to read 'Anton van Kalmthout', written over a horizontal line.

Prof Anton van Kalmthout
Treasurer

Opinion

We have audited the financial statements of Penal Reform International (the 'association') for the year ended 31 December 2016 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 2016 and of its result for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006

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.

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,

Independent auditors' report

To the members of

Penal Reform International

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Board's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The Board's annual report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified material misstatements in the Board's annual report.

We have nothing to report in respect of the following matters if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Disclosures of Board members remuneration are not made; or
- We have not received all the information and explanations we require for our audit

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

Independent auditors' report

To the members of

Penal Reform International

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.

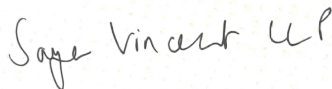
Auditor's responsibilities for the audit of the financial statements

This report is made solely to the association's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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, 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.



Jonathan Orchard (Senior statutory auditor)

27 April 2017

for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Penal Reform International

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

For the year ended 31 December 2016

	Note	Unrestricted €	Restricted €	2016 Total €	Unrestricted €	Restricted €	2015 Total €
Income from:							
Donations and legacies	2	1,350,506	–	1,350,506	1,574,499	–	1,574,499
Activities	3						
Advocating for Prison and Penal Reform		–	1,454,318	1,454,318	–	797,151	797,151
Reducing the use of imprisonment		–	1,063,720	1,063,720	–	790,268	790,268
Prevention of torture, cruel, inhumane or degrading treatment		–	375,314	375,314	–	376,401	376,401
Abolition of the death penalty		–	(58)	(58)	–	142,491	142,491
Justice for Children		–	610,282	610,282	–	851,818	851,818
Women in the Criminal Justice System		–	70,230	70,230	–	165,137	165,137
Countering Violent Extremism and Radicalisation Inside Prisons		–	32,678	32,678	–	2,225	2,225
Investments		859	–	859	399	–	399
Other		61,892	–	61,892	4,289	–	4,289
Total income		1,413,257	3,606,484	5,019,741	1,579,187	3,125,491	4,704,678
Expenditure on:							
Raising funds	4	244,010	–	244,010	237,447	–	237,447
Activities							
Advocating for Prison and Penal Reform	4	247,588	1,454,318	1,701,906	201,875	797,151	999,026
Reducing the use of imprisonment	4	197,532	1,063,720	1,261,252	321,542	790,268	1,111,810
Prevention of torture, cruel, inhumane or degrading treatment	4	92,810	375,314	468,124	116,580	376,401	492,981
Abolition of the death penalty	4	2,563	(58)	2,505	62,879	142,491	205,370
Justice for Children	4	235,242	687,027	922,269	368,383	934,780	1,303,163
Women in the Criminal Justice System	4	56,685	146,975	203,660	201,832	248,099	449,931
Countering Violent Extremism and Radicalisation Inside Prisons	4	7,662	32,678	40,340	44,509	2,225	46,734
Total expenditure		1,084,092	3,759,974	4,844,066	1,555,047	3,291,415	4,846,462
Net income / (expenditure) for the year	9	329,165	(153,490)	175,675	24,140	(165,924)	(141,784)
Transfers between funds		(32,467)	32,467	–	–	–	–
Net income / (expenditure) before other recognised gains and losses		296,698	(121,023)	175,675	24,140	(165,924)	(141,784)
Foreign exchange gain/(loss)		(224,184)	–	(224,184)	154,546	–	154,546
Net movement in funds		72,514	(121,023)	(48,509)	178,686	(165,924)	12,762
Reconciliation of funds:							
Total funds brought forward		1,588,944	156,360	1,745,304	1,410,258	322,284	1,732,542
Total funds carried forward	15	1,661,458	35,337	1,696,795	1,588,944	156,360	1,745,304

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.

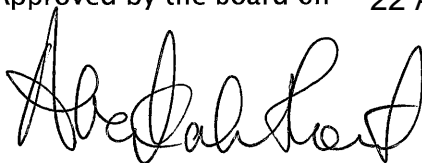
Balance sheet

As at 31 December 2016

	Note	€	2016 €	€	2015 €
Fixed assets:					
Tangible assets	11		<u>14,418</u>		<u>16,303</u>
			14,418		16,303
Current assets:					
Debtors	12	480,084		772,660	
Cash at bank and in hand		<u>1,752,834</u>		<u>2,214,161</u>	
		2,232,918		2,986,821	
Liabilities:					
Creditors: amounts falling due within one year	13	<u>(550,541)</u>		<u>(1,257,820)</u>	
Net current assets / (liabilities)			<u>1,682,377</u>		<u>1,729,001</u>
Total net assets / (liabilities)	14		<u>1,696,795</u>		<u>1,745,304</u>
The funds of the association:	15				
Restricted income funds			35,337		156,360
Unrestricted income funds:					
General funds		<u>1,661,458</u>		<u>1,588,944</u>	
Total unrestricted funds			<u>1,661,458</u>		<u>1,588,944</u>
Total funds			<u>1,696,795</u>		<u>1,745,304</u>

Approved by the board on 22 April 2017

and signed on their behalf by



Prof Anton van Kalmthout
Treasurer



Prof Dirk van Zyl Smit
Chair

Statement of cash flows

For the year ended 31 December 2016

	Note	2016 €	2015 €
Cash flows from operating activities	16		
Net cash provided by / (used in) operating activities		(228,662)	(687,266)
Cash flows from investing activities:			
Dividends, interest and rents from investments		859	399
Loss on disposal of fixed assets		2,281	–
Purchase of fixed assets		(11,622)	(23,206)
Net cash provided by / (used in) investing activities		(8,482)	(22,807)
Change in cash and cash equivalents in the year		(237,144)	(710,073)
Cash and cash equivalents at the beginning of the year		2,214,161	2,769,688
Change in cash and cash equivalents due to exchange rate movements		(224,184)	154,546
Cash and cash equivalents at the end of the year		1,752,834	2,214,161

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 do so on a voluntary basis.

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 2016. 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.

1 Accounting policies (continued)

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.

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	5.0%
● Advocating for Prison and Penal Reform	35.1%
● Reducing the use of imprisonment	26.0%
● Prevention of torture, cruel, inhumane or degrading treatment	9.7%
● Abolition of the death penalty	0.1%
● Justice for Children	19.1%
● Women in the Criminal Justice System	4.2%
● Countering Violent Extremism and Radicalisation Inside Prisons	0.8%

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.

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

1 Accounting policies (continued)

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.

Notes to the financial statements

For the year ended 31 December 2016

2 Income from donations and legacies

	Unrestricted €	Restricted €	2016 total Total €	2015 Total €
Grants				
Department for International Development, UK	1,350,506	–	1,350,506	1,463,352
FCO	–	–	–	111,147
	<u>1,350,506</u>	<u>–</u>	<u>1,350,506</u>	<u>1,574,499</u>

3 Income from activities

	Unrestricted €	Restricted €	2016 Total €	2015 Total €
Association for the Prevention of Torture	–	–	–	2,949
British Embassy	–	–	–	3,366
Department for International Development, UK	–	138,067	138,067	369,378
Dutch Embassy – Yemen	–	551,237	551,237	383,016
European Union	–	1,021,519	1,021,519	1,049,841
Foreign and Commonwealth Office	–	786,706	786,706	324,910
INL – US State Department	–	309,329	309,329	23,155
Know Violence in Childhood	–	–	–	51,645
MacArthur Foundation	–	70,126	70,126	107,486
Open Society Foundation	–	248,553	248,553	336,248
Swedish International Development Agency	–	–	–	192,290
Thailand Institute of Justice	–	69,995	69,995	15,264
UNDEF	–	2,973	2,973	87,808
UNICEF	–	104,596	104,596	107,499
UNOPS	–	–	–	51,445
Vol'noe Delo Russian Foundation	–	7,003	7,003	3,229
Permanent Mission of Denmark to UN Geneva	–	12,332	12,332	14,128
Swiss Development Cooperation	–	–	–	1,500
UNDP	–	3,426	3,426	–
UNOHCHR	–	13,849	13,849	–
Open Society Georgia Foundation	–	31,727	31,727	–
OSCE	–	14,751	14,751	–
Swedish Prison and Probation Service	–	10,983	10,983	–
Swiss Embassy – Astana	–	2,633	2,633	–
The Netherlands Helsinki Committee	–	10,510	10,510	–
US Embassy – Astana	–	26,806	26,806	–
Dutch Embassy – Kazakhstan	–	60,487	60,487	–
Dutch Ministry of Foreign Affairs	–	48,960	48,960	–
DRL – US State Department	–	49,571	49,571	–
Linklaters	–	6,363	6,363	–
Evan Cornish Foundation	–	3,899	3,899	–
Other	–	83	83	334
Total income from activities	<u>–</u>	<u>3,606,484</u>	<u>3,606,484</u>	<u>3,125,491</u>

4 Resources expended

			2016	2015
	Direct costs	Support & Governance	Total	Total
	€	costs €	€	€
Raising funds	216,278	27,732	244,010	237,447
Activities				
Advocating for Prison and Penal Reform	1,508,485	193,421	1,701,906	999,026
Reducing the use of imprisonment	1,117,911	143,341	1,261,252	1,111,810
Prevention of torture, cruel, inhumane or degrading treatment	414,922	53,202	468,124	492,981
Abolition of the death penalty	2,220	285	2,505	205,370
Justice for Children	817,453	104,816	922,269	1,303,163
Women in the Criminal Justice System	180,514	23,146	203,660	449,931
Countering Violent Extremism and Radicalisation Inside Prisons	35,755	4,585	40,340	46,734
	<u>4,293,538</u>	<u>550,528</u>	<u>4,844,066</u>	<u>4,846,462</u>

5 Governance costs

	2016	2015
	Total	Total
	€	€
Audit and accountancy fees	13,408	15,877
Board expenses	32,774	36,765
Annual report	6,102	6,860
	<u>52,284</u>	<u>59,502</u>

Notes to the financial statements

For the year ended 31 December 2016

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2016 €	2015 €
Depreciation	11,226	12,548
Operating lease rentals:		
Property	197,701	211,348
Equipment	2,129	2,851
Auditors' remuneration (excluding VAT):		
Audit	10,045	14,739
Other services	1,986	1,138
Foreign exchange gains or losses	(224,184)	154,546
	<u> </u>	<u> </u>

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

Staff costs were as follows:

	2016 €	2015 €
Salaries and wages	1,414,828	1,488,833
Social security costs	80,562	87,161
Employer's contribution to defined contribution pension schemes	56,631	48,983
	<u> </u>	<u> </u>
	1,552,021	1,624,977
	<u> </u>	<u> </u>

One employee earned more than GBP 60,000 during the year (2015: One).

The total employee benefits including pension contributions of the key management personnel were €563,349 (2015: €606,045).

The board were not paid or received any other benefits from employment with the association in the year (2015: €nil).

Board members' expenses represents the payment or reimbursement of travel and subsistence costs totalling €23,547 (2015: €27,189) incurred by 14 (2015: 11) 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 37.5 (2015: 40)

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 1st Floor, 60–62 Commercial Street, E1 6LT. The premises are occupied by Penal Reform International, and during the year rental costs of €50,100 were recharged to Penal Reform International. (2015 – €60,338)

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 €770,683 were recharged to Penal Reform International during the year (2015 – €950,729)

As at 31 December 2016 Penal Reform International owed €38,990 (2015 – €28,608) 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	102,903	102,903
Additions in year	11,621	11,621
Disposals	(51,861)	(51,861)
At the end of the year	62,663	62,663
Depreciation		
At the start of the year	86,600	86,600
Charge for the year	11,226	11,226
Disposals	(49,581)	(49,581)
At the end of the year	48,245	48,245
Net book value		
At the end of the year	14,418	14,418
At the start of the year	16,303	16,303

12 Debtors

	2016 €	2015 €
Accrued income	379,613	595,412
Amounts held by partners	19,839	77,477
Prepayments	31,864	83,199
Other debtors	48,768	16,572
	<u>480,084</u>	<u>772,660</u>

13 Creditors: amounts falling due within one year

	2016 €	2015 €
Trade creditors	4,990	47,022
Taxation and social security	38,990	23,928
Other creditors	3,489	4,681
Accruals	34,291	36,068
Deferred income	468,781	1,146,121
	<u>550,541</u>	<u>1,257,820</u>

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

	General unrestricted €	Restricted €	Total funds €
Tangible fixed assets	14,418	–	14,418
Net current assets	1,647,040	35,337	1,682,377
Net assets at the end of the year	<u>1,661,458</u>	<u>35,337</u>	<u>1,696,795</u>

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

	General unrestricted €	Restricted €	Total funds €
Tangible fixed assets	16,303	–	16,303
Net current assets	1,572,641	156,360	1,729,001
Net assets at the end of the year	<u>1,588,944</u>	<u>156,360</u>	<u>1,745,304</u>

15a Movements in funds (current year)

	At the start of the year €	Income and gains €	Expenditure and losses €	Transfers €	At the end of the year €
Restricted funds:					
Advocating for Prison and Penal Reform	-	1,454,318	(1,454,318)	-	-
Reducing the use of imprisonment	-	1,063,720	(1,063,720)	-	-
Prevention of torture, cruel, inhumane or degrading treatment	-	375,314	(375,314)	-	-
Abolition of the death penalty	-	(58)	58	-	-
Justice for Children	78,180	610,282	(687,027)	16,234	17,669
Women in the Criminal Justice System	78,180	70,230	(146,975)	16,233	17,668
Countering Violent Extremism and Radicalisation Inside Prisons	-	32,678	(32,678)	-	-
Total restricted funds	156,360	3,606,484	(3,759,974)	32,467	35,337
Unrestricted funds:					
MENA office	-	40,720	(30,055)	-	10,665
South Caucasus Office	-	21,172	(11,802)	-	9,370
General funds	1,588,944	1,351,365	(1,266,419)	(32,467)	1,641,423
Total unrestricted funds	1,588,944	1,413,257	(1,308,276)	(32,467)	1,661,458
Total funds	1,745,304	5,019,741	(5,068,250)	-	1,696,795

15b Movements in funds (prior year)

	At the start of the year €	Income and gains €	Expenditure and losses €	Transfers €	At the end of the year €
Restricted funds:					
Advocating for Prison and Penal Reform	-	797,151	(797,151)	-	-
Reducing the use of imprisonment	-	790,268	(790,268)	-	-
Prevention of torture, cruel, inhumane or degrading treatment	-	376,401	(376,401)	-	-
Abolition of the death penalty	-	142,491	(142,491)	-	-
Justice for Children	161,142	851,818	(934,780)	-	78,180
Women in the Criminal Justice System	161,142	165,137	(248,099)	-	78,180
Countering Violent Extremism and Radicalisation Inside Prisons	-	2,225	(2,225)	-	-
Total restricted funds	322,284	3,125,491	(3,291,415)	-	156,360
Unrestricted funds:					
General funds	1,410,258	1,733,733	(1,555,047)	-	1,588,944
Total unrestricted funds	1,410,258	1,733,733	(1,555,047)	-	1,588,944
Total funds	1,732,542	4,859,224	(4,846,462)	-	1,745,304

Purposes of restricted funds

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

16 Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2016 €	2015 €
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	175,675	(141,784)
Depreciation charges	11,226	11,324
Dividends, interest and rent from investments	(859)	(399)
(Increase)/decrease in debtors	292,575	(297,697)
Increase/(decrease) in creditors	(707,279)	(258,710)
Net cash provided by / (used in) operating activities	(228,662)	(687,266)

Notes to the financial statements

For the year ended 31 December 2016

17 Legal status of the association

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

18 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	
	2016	2015	2016	2015
	£	£	£	£
Less than one year	87,043	33,924	1,159	–
One to five years	96,794	–	4,345	–
	<u>183,837</u>	<u>33,924</u>	<u>5,504</u>	<u>–</u>