

PRISONERS' ADVICE SERVICE
FINANCIAL STATEMENTS

31 MARCH 2007

Company Registration Number 3180659

Charity Number 1054495

MICHAEL JELLICOE
Chartered Accountant & Registered Auditor
59 Knowle Wood Road
Dorridge
West Midlands
B93 8JP

PRISONERS' ADVICE SERVICE**REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007**

The trustees present their report and audited financial statements for the year ended 31 March 2007.

REFERENCE AND ADMINISTRATIVE INFORMATION

Charity name: Prisoners' Advice Service
 Charity Registration Number: 1054495
 Company Registration Number: 3180659
 Registered Office: PO Box 46199
 London
 EC1M 4XA

Trustees

The Trustees who served during the year and since the year-end are as follows:

Helen Jones (Chair)
 Adam Sampson (Treasurer)
 Sara Down (appointed 1 April 2006)
 Maria McNicholl
 Janet Hutson
 Enver Soloman (resigned 1 April 2006)

Staff Members

Nancy Collins: Senior Solicitor
 Nicki Rensten: Legal Caseworker
 Lubia Begum-Rob: Race Discrimination Caseworker
 Deborah Russo: Women Prisoners' Caseworker
 Amanda Richardson: Part-time Administrator / Telephone Worker
 Hannah Stewart: Locum Women Prisoners' Caseworker
 Matthew Denny: Development Manager

Auditor Michael Jellicoe
 59 Knowle Wood Road
 Dorridge
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 25 Kings Hill Avenue
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 31 Holborn
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PRISONERS' ADVICE SERVICE

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

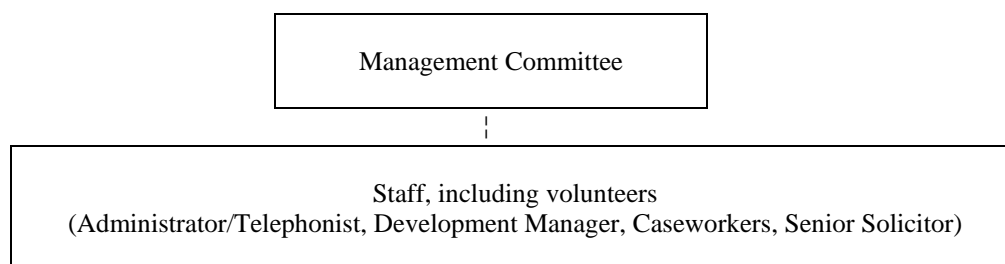
STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Prisoners' Advice Service (PAS) is a charity and company limited by guarantee. PAS was founded by and has the support of the Prison Reform Trust, Liberty, Justice, Nacro, Inquest and The Howard League for Penal Reform. Formally launched as an independent charity in May 1991 it became a company limited by guarantee in April 1996. The organisation was established under a Memorandum of Association, which established the objects and powers of the charitable company and is governed by its Articles of Association.

Recruitment, Appointment, Induction and Training of Management Committee and Organisational Structure

The Management Committee comprises the trustees, who are directors of the company under company law. Members are recruited via recommendation from existing Management Committee members, staff members, and associates of PAS. All prospective members are expected to have an interest in Prison Law. New Management Committee members have an induction whereby they spend a day shadowing PAS staff members to gain experience of the day-to-day running of the organisation. The basic management structure of PAS is therefore



The Management Committee has delegated certain powers to staff, including the day-to-day management of PAS. The Management Committee are Directors of the Company in whom all power is vested by virtue of articles of association. This includes the power to recruit staff to run the Company on a day-to-day basis. As such they are responsible for staff recruitment. Among other things, they are also responsible for ensuring actions are taken in the best interest of PAS. This includes matters of finance. In this capacity they liaise with members of staff at Management Committee meetings to discuss finances among other matters. They rely on senior staff members to provide them with information upon which decisions can be made.

The Management Committee currently meets once a quarter. The Committee can vary the frequency, as it feels appropriate. Its responsibilities includes:

- (i) Recruitment of staff.
- (ii) Receiving regular reports from staff.
- (iii) Informing development work.
- (iv) Making decisions where any other unit i.e. the staff group, need direction.
- (v) Making any other decisions considered appropriate by the committee.

The present officers as at 31 March 2007 are:

Chair	–	Helen Jones
Treasurer	–	Adam Sampson
Secretary	–	Nicki Rensten (Staff member)

The Senior Solicitor and Management Committee members are responsible for implementing and ensuring compliance with the risk management strategy. The risk management strategy aims to ensure that appropriate action is taken where a case falls outside acceptable risk levels. Other risks to PAS are considered at the annual review of the business plan, when strengths and weaknesses are considered.

PRISONERS' ADVICE SERVICE

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Risk Review

The Management Committee has conducted its own review of the major risks to which the charity is exposed and systems have been established to mitigate those risks. A comprehensive external consultancy has been undertaken so that the charity can position itself to better manage these risks and provide a sound and stable base for its future activities. External risks to funding have led to the development of a strategic plan which will allow for the diversification of funding and activities. The issue of staff turnover has been addressed in the consultancy and this will result in a strategic development plan addressing these issues. Internal financial risks are minimised by the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery for all operational aspects of the charitable company.

OBJECTIVES AND ACTIVITIES

The charitable aims of PAS as set out in its Memorandum of Association are:

- (i) To relieve and rehabilitate persons held in penal establishments in the United Kingdom.
- (ii) To advance education and relieve poverty among the aforesaid persons and the families of dependants of such persons particularly by the provision of a free service of legal and other advice.
- (iii) The advancement of education of the public and in particular members of the legal profession, in relation to the law relating to the rights of prisoners (which expression shall mean persons who are suffering or have suffered a legal restriction on their liberty in any penal or correctional establishment or through any means whatsoever) and mentally disordered patients within the scope of Part III of the Mental Health Act 1983 and the rights of their families and dependants.
- (iv) The relief of persons in the United Kingdom who are in a condition of need, hardship and distress.

The main activity of PAS is to provide free legal advice and information to prisoners in England and Wales regarding their rights, particularly concerning the application of the Prison Rules and the conditions of imprisonment. PAS also advises and provides training for other organisations and those advising prisoners. PAS takes up prisoners' complaints about their treatment within the prison system on an individual and confidential basis, taking legal action where appropriate.

Volunteers play a vital role in the day-to-day running of PAS. A maximum of 15 volunteers can be accommodated at PAS in any given week. Their main purpose is to assist with casework and answer general letters to help ensure the smooth running of the office. Volunteers are asked to commit to a minimum of one day a week over a three-month period and contribute in the following ways:

- (i) To review and re-organise as necessary current manual filing systems of external resources.
- (ii) To send general information to clients and other prisoners as directed by the legal caseworkers or senior solicitor.
- (iii) To write to clients with information about their specific cases as directed by the senior solicitor or legal caseworkers.
- (iv) To respond to general letters from prisoners under supervision of the senior solicitor or legal caseworkers.

PRISONERS' ADVICE SERVICE

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

ACHIEVEMENTS AND PERFORMANCE

Race Discrimination Caseworker

The Race Discrimination Caseworker role has developed substantially since Lubia Begum-Rob joined PAS in August 2004. Lubia meets at least annually with the Race Discrimination Support Lawyers who in addition to reviewing her role also supervise and support her throughout the civil work in the County Courts she undertakes. Some cases take a considerable period of time to conclude. One case closed after over eighteen months that involved issues of race discrimination but also the Human Rights Act and a very detailed and lengthy investigation by the Prisons and Probation Ombudsman.

In December 2006 Lubia settled two claims for damages for racial discrimination. These successes are notable for PAS because they are the first damages PAS has obtained on behalf of prisoners under the Race Relations Act. In both cases the other party paid our legal costs at inter partes rates, which is also new income for PAS.

With regards to new and outstanding discrimination cases in the county courts, Lubia has one claim pending at Cambridge County Court, which has been consolidated from four separate claims. The claim is lengthy and complex, and is likely to go to trial in summer 2007. PAS has a certificate of public funding for the claim. Lubia also recently assisted four prisoners to lodge claims for damages for religious discrimination under the Human Rights Act on a pro bono basis, and is currently in the process of obtaining public funding in order to represent the prisoners who are involved.

The high profile victories have been the civil litigation cases that have resulted in damages for prisoners. However the substantive race discrimination work has been that which most prison law solicitors will not do - non-litigious discrimination complaints and non-casework contribution that does not bring in an income to the organisation. This is exactly in keeping with PAS' historical role: to undertake pro bono work that other prison law firms and organisations cannot do. Therefore the role's involvement with the advice line, general letters, convening of groups such as the Whitemoor assaults, input to the Commission for Racial Equality, HM Inspectorate of Prisons, Ombudsman, and the Foreign National Prisoners' Network, are examples of the wider reaching contribution that the race discrimination caseworker role is uniquely positioned to have.

Women Prisoners' Caseworker

Hannah Stuart is the locum women prisoners' caseworker at PAS. The post was created in January 2005 to focus on specific needs of women prisoners. The average time in custody for a women prisoner is 42 days which rarely allows them sufficient time to learn about the system or where they can seek legal advice. Women prisoners also form one of the most vulnerable groups within the prison estate. Problems with literacy, mental health, and drink and drugs are as widespread, if not more common, than in the male estate. The specific circumstances of women prisoners have led PAS to consider different approaches to providing advice in addition to the telephone advice line, responding to written queries and irregular outreach sessions.

In HMP Downview we are assisting the prisoners to run a peer advice clinic. Volunteers receive training from the Prisoners' Advice Service and have access to Prison Service Orders and Prison Service Instructions. They also have contact details of other agencies, such as Citizens' Advice Bureaux, Shelter and the Refugee Legal Centre, and referral information for solicitors specialising in other branches of the law. The clinic is held fortnightly on Saturday mornings in a room beside the library to which women have free access. It is advertised by posters on every wing and in the reception packs given to all prisoners who are transferred to HMP Downview. Volunteers sign a confidentiality policy and must inform each client of its terms. More complex legal matters can be referred to PAS. The client can also be given PAS' globally bypassed advice line number if she is reluctant to speak to one of the volunteers. Hannah attends once every eight weeks to see clients referred by the volunteers from previous weeks and give face to face advice on more complex or confidential issues.

The clinic has been through a successful six month trial. The volunteers have dealt with a wide variety of issues from simply reading letters for clients with literacy difficulties to explaining how to complete a divorce pack supplied by the local Citizen's Advice Bureau. We have just recruited some new volunteers as others have been released or become overburdened with their resettlement plans. It is hoped the model can be extended to other prisons with a similar stable population.

PRISONERS' ADVICE SERVICE

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

ACHIEVEMENTS AND PERFORMANCE (continued)

Women Prisoners' Caseworker (continued)

HMP Holloway presents a different problem in that it has a highly transient population of prisoners. Holloway primarily caters for those serving short sentences, who are on remand or who are sentenced but likely to be transferred to other prisons to serve the majority of their sentence. In conjunction with the St Giles Trust outreach sessions will be held once a month in the resettlement unit. The St Giles Trust is one of the best known resettlement charities with an unparalleled reputation in housing. St Giles Trust will refer prisoners with legal problems to PAS and vice versa. In addition other organisations with a presence in HMP Holloway will be made aware of the outreach and asked to refer clients who we may be able to assist. Charities with whom PAS already have links such as Women in Prison, Shelter, MIND and NACRO all work in Holloway and will be able to assist. While this will be resource intensive it is likely to assist the most difficult to reach prisoners, particularly if agencies act in concert.

In addition to the above Hannah has a full caseload from women prisoners covering a wide variety of legal issues. There are continued problems with foreign nationals particularly regarding childcare resettlement leave and other forms of release on temporary licence. In addition she has many on-going enquiries, in particular advising women prisoners who want to be deported under the Early Removal Scheme but who are not receiving information or assistance from their prison or the Immigration and Nationality Directorate.

In May 2007 Deborah Russo will be resuming her role as permanent Women Prisoners' Caseworker. It is anticipated that she will be working four days a week. The fifth day will be covered by Hannah - primarily by running the Downview Clinic, the Holloway advice sessions, other outreach in women's prisons and advocacy work in disciplinary hearing and in front of Parole Boards.

Outreach

During this period Nicki Rensten has been to Wandsworth, Bullingdon and High Down prisons to speak to groups of prisoners who are being trained by the St Giles Trust as peer advisers. Further visits to Wayland and Chelmsford, where St Giles has just started to do this kind of work as planned. Speaking to the peer advisers is extremely useful for PAS as the prisoners doing this work are generally those who are trusted both by prison staff to take a position of responsibility and by other prisoners to give them fair and impartial advice on their problems. Nicki has been speaking to St Giles trainees for some time now and we are currently discussing formalising this relationship and securing funding to make PAS's element in their training.

In December 2006 Nicki went to The Mount prison to meet the Foundation Training Company, which is a resettlement organisation. Our meeting related to the setting up of advice sessions on prison law in The Mount and it is hoped to start these on a bi-monthly basis in the very near future.

An interesting spin-off from our outreach work has been the building up of an excellent relationship with the prison librarian at Wandsworth who runs a debating society where external visitors and prisoners debate current affairs topics. A volunteer at PAS, who is a trainee barrister, chaired the first debate and we now have a queue of law student volunteers who want to attend and participate in the debates!

Nicki has continued to attend meetings of the Foreign National Prisoners Group of prison and immigration lawyers, and also met with representatives of the Irish Commission for Prisoners Overseas in order to share information about our work and theirs.

As well as the various outreach visits to groups of prisoners, visits were made to clients at Whitemoor Wormwood Scrubs, Ashwell and Woodhill to discuss individual cases.

Nicki has been to court for two judicial reviews cases. One, which concerns access to privacy in medical consultations, has now been adjourned while we decide how to proceed in the light of new information. The other is a challenge to a prison disciplinary adjudication. We were initially refused permission to proceed in this case but have appealed.

The caseload during this period has included a large number of applications for parole by prisoners who previously would have been granted parole without legal intervention but who, due to the current political climate in which Parole Board members have become extremely timid about granting release in any circumstances whatsoever, felt they required advice, support and legal representation.

PRISONERS' ADVICE SERVICE

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

ACHIEVEMENTS AND PERFORMANCE (continued)

Senior Solicitor

Since Nancy's return to PAS in November 2006 from maternity leave she has continued to focus on lifer cases. Life sentenced prisoners are currently facing real difficulties with maintaining their progress through their sentences due to serious overcrowding in the prison system as more and more prisoners receive the new indeterminate sentences for public protection ('IPP sentences') introduced under the Criminal Justice Act 2003. A judge recently observed that each month 120-140 prisoners receive IPP sentences.

One example of how the increased amount of prisoners serving indeterminate sentences has a negative effect on such prisoners' progress through their sentences can be seen in the case of a client who was given a minimum term of 3 years. Prison Service policy requires that life sentenced prisoners with short minimum terms should be prioritised for offending behaviour courses. However, due to overcrowding in the prison system the client was moved from prison to prison and had not been given a life sentence plan identifying the work he should complete to address areas of risk at the time of his first parole review. PAS assisted him with his second parole review, at which the Parole Board issued some useful guidance as to the work they would expect him to complete prior to his next review. He continues to struggle to obtain a place on the courses that have been identified as necessary, despite his willingness to complete those courses.

Many life-sentenced prisoners held in open conditions are able to work outside the prison five days a week. Such prisoners are not eligible for public funding due to the level of their earnings. Unlike solicitors firms the Prisoners' Advice Service is able to provide them with advice and assistance free of charge. Nancy recently assisted three such lifers, all of whom required assistance with their forthcoming parole reviews. One such prisoner has experienced extreme difficulties with his release plan due to the failure of the probation service to carry out a proper assessment of his release address until shortly before his parole hearing. These difficulties arose because he wished to transfer from one probation area to another, so as not to return to the area where he committed his offence. His proposed release address had been assessed as suitable for his periods of temporary release from prison and he had spent over 12 months visiting the address and preparing for his release on life licence. The probation service informed the client that his address was not suitable just two days before his hearing, and the hearing was adjourned for a period of three months. Nancy assisted the client in ensuring that his release plan is in place prior to his next review, and she issued a complaint on his behalf to the Prisons and Probation Ombudsman about the failure of the probation service to provide him with appropriate assistance, which has led to a delay in his release on life licence.

In addition Nancy's interest in the difficulties of life sentence prisoners she continued to look out for cases where prisoners face difficulties with obtaining appropriate healthcare. Following a challenge in one such case a primary care trust has agreed to set up a diabetes clinic in a high security prison. This will ensure that the client does not have to be handcuffed to prison officers during his appointments with his external consultant, which violated his right to privacy during his medical appointments.

As well as casework the Prisoners' Advice Service maintains its position as a key provider of updates on prison law. PAS continues to produce a quarterly bulletin with updates of all prison law cases and Prison Service policy. Nancy also continued to co-write biannual the prison law updates for the Legal Action Group magazine. She also recently organised a seminar on Risk Assessment Tools given by Jackie Craissati and co-hosted with Toops Chambers.

In May 2007 Nancy left PAS after six years dedicated service to continue her career in prison law at Bhatt Murphy Solicitors.

Development

Matthew Denny joined PAS as Development Manager in May 2006. Funding from Trusts and Foundations rose from £151,000 in 2005/2006 to over £223,000 in 2006/2007. A new auditor and an accountant were engaged to ensure that PAS fully complied with recent auditing regulations and to guide the charity through VAT registration. PAS entered into a professional contract with the IT Company Blue Lizard who successfully stabilised a creaking computer network. A website has been developed so that our information sheets are now available as online downloadable pdfs, including translations in seven different languages. A new leaflet was produced by Barbed, the design studio based in HMP Coldingley, and has been distributed in adult prisons throughout England and Wales. It is hoped that these changes position PAS on a sound footing to guarantee that our caseworkers can continue to provide to prisoners a first-rate service of legal information and advice.

PRISONERS' ADVICE SERVICE

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

ACHIEVEMENTS AND PERFORMANCE (continued)

Client Feedback

The performance of PAS is best reviewed by client feedback questionnaires that are a mandatory requirement of our contract with the Legal Services Commission. Out of a maximum score of 5, PAS's service as rated by our client base scored 4.9.

FINANCIAL REVIEW

Reserves Policy

Free reserves held on 31 March 2007 were £50,789 representing less than three months operating costs. The Management Committee deems 3-month reserves as the minimum realistic level of reserves, which would allow staff time to recover from a temporary shortfall of income. It is the aim of the Management Committee to ultimately have reserves for 6 month operating costs or roughly £150,000.

Funding Sources

Funding sources for the period 2006/2007 included Legal Services Commission and other legal fees of £47,358 (2006: £115,351), a drop from 2005/2006. This was primarily because of two staff members being on maternity leave. There was a marked increase in income coming from restricted and unrestricted grants from the following Trusts and Foundations:

The William and Katherine Longman Trust
The Hadley Trust
The Nuffield Foundation
The Pyke Charity Trust
The Rank Foundation
The Denis Buxton Trust
The Pilgrim Trust
The Lankelly Chase Foundation
The Marchday Charitable Fund
The 29th May 1961 Charitable Trust
The Tudor Trust
The Monument Trust
The Allan & Nesta Ferguson Charitable Settlement
The Allen Lane Foundation
The Noel Buxton Trust
Swan Mountain Trust
The Elmgrant Trust
The Oakdale Trust
Lloyds TSB Foundation
The Nationwide Foundation
John and Susan Bowers Fund
The Rhiannon Trust
Eleanor Rathbone Charitable Trust
The Hilden Charitable Fund
The Paul Hamlyn Foundation
The N Smith Charitable Trust
Mrs L D Rope Third Charitable Settlement

PRISONERS' ADVICE SERVICE

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

FINANCIAL REVIEW (continued)

Results for the Year

Following the decision to reflect grant income received in advance for future salary and similar time based payments as deferred income, a prior year adjustment has been necessary. After making that adjustment the charity is reporting net income of £3,097 compared with £9,041 in the year to 31 March 2006. Reserves carried forward at 31 March 2007 amount to £50,789 (2006: £47,692) all of which are unrestricted funds. With the new policies having been adopted, the charity has deferred income of £67,917 (2006: £50,262) representing grants already received to meet restricted expenditure in the next financial year.

The comparatives have been restated. Details of the prior year adjustment are given in note 15 to the financial statements.

Further details of the charity's activities for the year are set out in the Statement of Financial Activities on page 11, and the financial position of the charity at 31 March 2007 is set out in the Balance Sheet on page 12.

PLANS FOR FUTURE PERIODS

The Management Committee has set the following objectives for the period 2007/2008.

- (i) To continue to provide, increase and improve a free, high quality, accessible legal advice and information service to prisoners in England and Wales and their legal advisers.
- (ii) To maintain and expand publicly funded casework.
- (iii) Increase awareness of PAS as the main provider of information about prison law.
- (iv) Identify the unmet needs of prisoners not currently taken up by PAS's service and expand the range of service to provide to meet those needs.
- (v) To have a minimum three months operating costs in reserve at any one time but to aim for a six month reserve.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees are responsible for preparing the Annual Return and the financial statements in accordance with applicable law and United Kingdom General Accepted Accounting Practice.

Company law requires the Trustees to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to do the following:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards 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 company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005) and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

PRISONERS' ADVICE SERVICE

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

RESPONSIBILITIES OF THE TRUSTEES (continued)

Trustees

The Trustees, who are directors for the purposes of company law, and who served during the year, are set out on page 1 in accordance with company law, as the company's directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005) and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

Principal Office:

PO Box 46199
London
EC1M 4XA

Signed on behalf of the Board of Trustees

.....
H Jones

Approved by the members of the committee on 16 November 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRISONERS' ADVICE SERVICE

I have audited the financial statements of Prisoners' Advice Service for the year ended 31 March 2007 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. My audit work has been undertaken so that I might state to the charitable company's members those matters I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the charitable company and its members as a body for my audit work, for this report or for the opinions I have formed.

Respective responsibilities of directors and auditors

The responsibilities of the Trustees, who are the directors of Prisoners' Advice Service for the purposes of company law, for preparing the Trustees Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Auditing Practice) are set out in the Statement of Trustees Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. I also report to you whether in my opinion the information given in the Trustees Report is consistent with the financial statements.

In addition I report to you if, in my opinion, the company has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding Trustees' remuneration and transactions with the charity is not disclosed.

I read the Trustees Report and consider the implications for my report if I become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In my opinion:-

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the charitable company's affairs as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees Report is consistent with the financial statements.

MICHAEL JELLCOE
Chartered Accountant and Registered Auditor
59 Knowle Wood Road
Dorridge
West Midlands B93 8JP

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PRISONERS' ADVICE SERVICE

STATEMENT OF FINANCIAL ACTIVITIES (incorporating THE INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 MARCH 2007

	Note	Year ended 31.3.2007			Year ended
		Restricted	Unrestricted	Total	31.3.2006 (restated)
		£	£	£	£
Incoming resources					
Incoming resources from generated funds:					
Voluntary income	2	-	64,299	64,299	49,436
Activities for generating funds		-	1,160	1,160	2,145
Interest receivable		-	3,135	3,135	1,900
Incoming resources from charitable activities:					
Advice and information	3	141,709	50,938	192,647	218,181
Sundry operating income		-	2,056	2,056	2,058
Total incoming resources		£141,709	£121,588	£263,297	£273,720
Resources expended					
Costs of generating funds:					
Costs of generating voluntary income		3,935	3,087	7,022	6,720
Fundraising trading – other costs		-	-	-	284
Charitable activities:					
Advice and information		134,336	110,005	244,341	247,262
Governance costs		3,438	5,399	8,837	10,413
Total resources expended		£141,709	£118,491	£260,200	£264,679
Net income/(expenditure) for the year		-	3,097	3,097	9,041
Reconciliation of funds					
Total funds brought forward, as previously stated		£20,887	£77,067	£97,954	£80,163
Prior year adjustment - to reserves at 1.4.2006	15	(25,080)	(16,432)	(41,512)	(41,512)
- to reserves at 1.4.2007		4,193	(12,493)	(8,750)	
Total prior year adjustment		(20,887)	(29,375)	(50,262)	(41,512)
At beginning of year as restated		-	47,692	47,692	38,651
Total funds carried forward		£ -	£50,789	£50,789	£47,692

Movements in restricted funds are shown in note 14 to the financial statements.

All incoming resources and resources expended derive from continuing activities.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 13 to 20 form part of these financial statements.

PRISONERS' ADVICE SERVICE**BALANCE SHEET AS AT 31 MARCH 2007**

	<u>Note</u>	<u>2007</u>	<u>2006</u> (restated)
		£	£
FIXED ASSETS			
Tangible fixed assets	9	1,077	-
CURRENT ASSETS			
Debtors	10	59,299	51,862
Cash at bank and in hand		75,215	66,880
		-----	-----
		£134,514	£118,742
		-----	-----
CREDITORS: amounts falling due within one year	11	(84,802)	(71,050)
		-----	-----
NET CURRENT ASSETS		49,712	47,692
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		£50,789	£47,692
		=====	=====
CAPITAL AND RESERVES			
Restricted funds	14	-	-
Unrestricted funds		50,789	47,692
		-----	-----
		£50,789	£47,692
		=====	=====

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

These financial statements were approved and authorised for issue by the Trustees on 16 November 2007 and are signed on their behalf by:

.....
Helen Jones

The notes on pages 13 to 20 form part of these financial statements.

PRISONERS' ADVICE SERVICE**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007****1. ACCOUNTING POLICIES****(a) Basis of Accounting**

These accounts have been prepared under the historical cost accounting convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), The Companies Act 1985 and Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005) issued in March 2005.

(b) Change in Accounting Policies

In preparing the financial statements for the current year, the company has refined its interpretation of the Statement of Recommended Practice in respect of grants which may be subject to donor imposed conditions that specify the time period over which the expenditure of such resources can take place. As a result of the adoption of the new policy there have been the following changes.

- (i) The closer interpretation is reflected below in the narrative of the accounting policy on incoming resources.
- (ii) The impact of the change is reflected in note 15 below.
- (iii) The results of the current year reflect the full adoption of the new accounting policy; the comparatives are restated to show the full impact of the new accounting policy, and the movements in reserves as shown on the balance sheet show the effect of the change as a prior year adjustment.

(c) Incoming Resources

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:-

- Voluntary income is received by way of grants that provide core funding or are of a general nature, donations and gifts and is included in full in the Statement of Financial Activities when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant.
- Donated services and facilities are included at the value to the charity where this can be quantified. The value of services provided by volunteers has not been included in these accounts.
- Incoming resources from charitable activity are accounted for when earned.
- In respect of contracts for ongoing services, fees for legal services represents the value of work done in the year including estimates of amounts not invoiced.
- Incoming resources from grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.
- Incoming resources from grants where related to strongly implied time periods in which the expenditure can take place is accounted for on the basis of the time period included in these financial statements.

PRISONERS' ADVICE SERVICE**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007****1. ACCOUNTING POLICIES (continued)****(d) Resources expended**

Expenditure is recognised on an accrual basis as a liability is incurred. Where relevant, comparative expenditure includes VAT which cannot be recovered as the charity was not registered for VAT prior to August 2005. Irrecoverable VAT is reported as part of the expenditure to which it relates:-

- Costs of generating funds comprise the costs associated with attracting voluntary income and the costs of trading for fundraising purposes.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.
- All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis, eg staff time or estimated usage as set out in Note 5.

(e) Fund accounting

Funds held by the Charity are either:-

- (i) Unrestricted general funds – these are funds without specified purpose and are available as general funds.
- (ii) Designated funds – these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.
- (iii) Restricted funds – these are funds which can only be used for particular restricted purposes within the objects of the Charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Transfers between funds are made to cover deficits on individual restricted funds and to recognise fixed assets acquired with restricted income, but with no further restriction on use, within unrestricted funds

(f) Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office fixture and equipment - 20% straight line basis

Fixed assets are not capitalised unless their cost is more than £200.

(g) Operating leases

Rentals are charged to the income and expenditure account in equal annual instalments over the period of the lease.

2. VOLUNTARY INCOME

	<u>2007</u>	<u>2006</u> <i>(restated)</i>
	£	£
Donations	399	6,161
Core funding grants (see note 4)	63,900	43,275
	-----	-----
	<u>£64,299</u>	<u>£49,436</u>
	=====	=====

PRISONERS' ADVICE SERVICE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

3. ADVICE AND INFORMATION

	<u>2007</u>	<u>2006</u> <i>(restated)</i>
	£	£
Grants funding activities (see note 4)	141,709	98,878
Legal Services Commission fees and other legal fees	47,358	115,351
Prisoners' Legal Rights Group	3,580	3,952
	-----	-----
	£192,647	£218,181
	=====	=====

4. GRANTS RECEIVED DURING THE YEAR AND MOVEMENT ON DEFERRED INCOME

<u>Source</u>	<u>Purpose</u>	<u>2007</u> £
The 29 May 1961 Charitable Trust	Core funding	7,500
The William and Catherine Longman Trust	Core funding	4,000
The Hadley Trust	Core funding	40,000
The Hilden Charitable Fund	Core funding	5,000
The Marchdale Charitable Fund	Core funding	5,000
Other	Core funding	2,400

Total Core Funding grants		£63,900

The Monument Trust	Outreach service	20,000
The Tudor Trust	Development manager	20,000
The Paul Hamlyn Foundation	Caseworker for women prisoners	20,000
The Pilgrim Trust	Caseworker for women prisoners	7,064
The Rank Foundation	Development manager	10,000
The Nuffield Foundation	Caseworker for racial discrimination	15,000
Lakelly Chase	Caseworker for racial discrimination	10,000
The Allan and Nesta Ferguson Charitable Settlement	Outreach service	10,000
The Allen Lane Foundation	Senior solicitor	5,000
The Noel Buxton Trust	Promotion costs	4,000
Lloyds TSB Foundation	Premises and equipment rental	25,000
The Nationwide Foundation	Caseworker for women prisoners	5,000
Other		8,300

Total Grants Funding Activities		£159,364

Total Grants received in Year		£223,264
		=====

Grants Funding ActivitiesMovement on Deferred Income

	<u>2007</u>	<u>2006</u> <i>(restated)</i>
	£	£
Deferred grants at 1.4.2006	50,262	41,512
Grants received in the year	159,364	107,628
Deferred grants at 31.3.2007	(67,917)	(50,262)
	-----	-----
Grants released to income	£141,709	£98,878
	=====	=====

PRISONERS' ADVICE SERVICE**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)****6. TOTAL RESOURCES EXPENDED****Salary Costs**

	<u>2007</u>	<u>2006</u> <i>(restated)</i>
	£	£
Gross	163,799	155,286
Employer's NIC	17,662	16,380
	-----	-----
	<u>£181,461</u>	<u>£171,666</u>
	=====	=====

No employee earned more than £60,000 (2006: none).

The average number of full time staff employed during the year was:-

Legal staff	4
Administration	2

	6
	====

None of the trustees received any remuneration during the year (2006: £nil).

None of the trustees received any reimbursement of expenses during the year (2006: £nil).

7. NET INCOME/(EXPENDITURE) FOR THE YEAR

	<u>2007</u>	<u>2006</u> <i>(restated)</i>
	£	£
Net income/(expenditure) for the year is after charging:-		
Deprecation	55	332
Auditor's remuneration: audit	2,710	5,000
Consultancy advice	2,250	-
Rentals under operating lease:		
Land and buildings	15,789	14,750
Other assets	7,200	7,200
	-----	-----

8. TAXATION

The company is a registered charity and it is considered that its activities are such that no taxation liability will arise.

PRISONERS' ADVICE SERVICE**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)****9. TANGIBLE FIXED ASSETS**Office Fixtures and EquipmentCost:

<i>At 1 April 2006</i>	9,427
Additions	1,132

At 31 March 2007	£10,559
	=====

Depreciation:

<i>At 1 April 2006</i>	9,427
Charge for year	55

At 31 March 2007	£9,482
	=====

Net Book Value

At 31 March 2007	£1,077
	=====
<i>At 31 March 2006</i>	£ -
	=====

10. DEBTORS

	<u>2007</u>	<u>2006</u> <i>(restated)</i>
	£	£
Amounts recoverable under contracts	26,790	31,322
Trade debtors	2,499	1,523
Other debtors	24,443	14,133
Prepayments	5,573	4,884
	-----	-----
	£59,305	£51,862
	=====	=====

11. CREDITORS: amounts falling due within one year

	<u>2007</u>	<u>2006</u> <i>(restated)</i>
	£	£
Trade creditors	-	1,439
Taxation and social security	6,546	10,000
Accruals	10,339	9,349
Deferred grant income (see note 4)	67,917	50,262
	-----	-----
	£84,802	£71,050
	=====	=====

12. CAPITAL

The company has no share capital being limited by guarantee. All trustees are members of the company and each has undertaken to contribute £1 in the event of the company being wound up.

PRISONERS' ADVICE SERVICE

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<u>Restricted Funds</u>	<u>Unrestricted Funds</u>	<u>Total Funds</u>
	£	£	£
Fixed assets	-	1,077	1,077
Current assets	-	134,514	134,514
Current liabilities	-	(84,802)	(84,802)
	-----	-----	-----
	£ -	£50,789	£50,789
	=====	=====	=====

14. RESTRICTED FUNDS

	<u>At 1 April 2006</u>	<u>Incoming</u>	<u>Outgoing</u>	<u>At 31 March 2007</u>
	<i>(restated)</i>	<u>Resources</u>	<u>Resources</u>	<u>At 31 March 2007</u>
	£	£	£	£
Volunteers	-	5,300	5,300	-
Racial discrimination	-	26,041	26,041	-
Women	-	40,951	40,951	-
Outreach	-	29,167	29,167	-
Development	-	22,917	22,917	-
Senior solicitor	-	5,000	5,000	-
Promotional	-	4,000	4,000	-
Rental	-	8,333	8,333	-
	-----	-----	-----	-----
	£ -	£141,709	£141,709	£ -
	=====	=====	=====	=====

Purposes of restricted funds:

Volunteers:	This fund was used to meet the expenses claimed by volunteers whilst working for the charity.
Racial discrimination:	This fund was used to meet the salary cost of the caseworker for racial discrimination.
Women:	This fund was used to meet the salary cost of the caseworker for women prisoners.
Outreach:	This fund was used to meet the salary cost of the caseworker for the charity's outreach service.
Development:	This fund was used to meet the salary cost of the development manager.
Senior solicitor:	This fund was used to meet the salary cost of the senior solicitor.
Promotional:	This fund was used to meet costs promoting the work of the charity.
Rental:	This fund was used to meet premises and equipment rental costs.

In the opinion of the trustees, there are sufficient resources held to enable each fund to be applied in accordance with the restrictions imposed by the donors.

PRISONERS' ADVICE SERVICE**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (cont'd)****15. PRIOR YEAR ADJUSTMENT**

The accounts for the year to 31 March 2006 and the reserves brought forward as at 1 April 2005 have been restated to incorporate the impact of the changes in accounting policies referred to in note 1(b).

The prior year adjustment gives rise to an adjustment in reserves of £50,262 and is made up of:-

	£
Change of accounting policy as a result of the reclassification of some grant income as deferred income	
Net amount of deferred income arising for the year ended 31 March 2006	8,750
Amount of deferred income that would be regarded as brought forward on 1 April 2005 under the revised accounting policy	41,512
Total reclassified deferred income liability not previously recognised at 31.3.2006	----- £50,262 =====

The change reflects a closer interpretation of the requirements of the Statement of Recommended Practice (SORP 2005) for Accounting and Reporting by Charities. Where the charity is in receipt of grants for expenditure some of which will take place in a future period, such as grants towards annual salary costs, the proportion of the grant relating to the future accounting period is accounted for as deferred income and shown as a liability

Summary of the prior year accounting impact on the comparatives reported for the year ended 31 March 2006:-

	£
Increase in creditors due to deferred income	(50,262)
Reduction in restricted reserves	25,080
Reduction in unrestricted reserves	29,375
	=====

16. RELATED PARTIES

There were no transactions with related parties during the year (2006: none) that are required to be disclosed in these accounts.

17. OPERATING LEASE COMMITMENTS

At 31 March 2007 the charity had the following commitments under non-cancellable operating leases:-

	<u>Land and Buildings</u>	<u>Other</u>
	£	£
Expiring within two to five years	£17,500	£7,200
	=====	=====