

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
GEORGETOWN LEGAL AID CLINIC INC.**

We have audited the accompanying financial statements of **Georgetown Legal Aid Clinic Inc.**, which comprise the balance sheet as at December 31, 2007, and the related statements of income, accumulated fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act, 1991. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Georgetown Legal Aid Clinic Inc. as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, 1991.



RAM & McRAE
CHARTERED ACCOUNTANTS
PROFESSIONAL SERVICES FIRM
157 'C' WATERLOO STREET
GEORGETOWN, GUYANA

July 10, 2008

Georgetown Legal Aid Clinic Inc.

Balance Sheet

As at December 31, 2007

	Notes	2007 G\$	2006 G\$
ASSETS			
Non-current assets			
Office furniture and equipment	3	2,127,142	1,770,489
Current assets			
Accounts receivable		264,586	96,162
Cash and cash equivalents	4	43,020,644	8,804,877
Total current assets		43,285,230	8,901,039
Total assets		45,412,372	10,671,528
EQUITY AND LIABILITIES			
Equity			
Accumulated fund		12,561,033	7,918,104
Non-current liabilities			
Deferred income	5	304,024	1,348,370
Current liabilities			
Deferred income	6	32,460,248	268,922
Accounts payable		87,067	1,136,132
Total current liabilities		32,547,315	1,405,054
Total equity & liabilities		45,412,372	10,671,528

The notes on pages 4 to 9 form an integral part of these financial statements.

Director/Secretary

Treasurer

Georgetown Legal Aid Clinic Inc.
Statement of Income and Accumulated Fund
For the year ended December 31, 2007

	Notes	2007 G\$	2006 G\$
Income			
Grants	7	17,487,373	14,165,384
Consultancy fees		671,000	564,500
Legal fees		3,097,230	2,990,705
Donations		325,000	315,000
Other income		355,802	148,815
Total income		21,936,405	18,184,404
Expenses			
Employment costs	8	14,788,784	11,637,909
Operating and administrative expenses	9	2,504,692	1,887,326
Total expenses		17,293,476	13,525,235
Surplus for the period		4,642,929	4,659,169
Accumulated fund at January 1,		7,918,104	3,258,935
Accumulated fund at December 31,		12,561,033	7,918,104

The notes on pages 4 to 9 form an integral part of these financial statements.

Georgetown Legal Aid Clinic Inc.

Statement of Cash Flows

For the year ended December 31, 2007

	Notes	2007 G\$	2006 G\$
Cash flows from operating activities			
Surplus for the period		4,642,929	4,659,169
<i>Adjustments for:</i>			
Deferred income		(1,044,346)	1,348,370
Depreciation		340,436	35,870
Operating surplus before working capital changes		3,939,019	6,043,409
(Increase) / decrease in accounts receivable		(168,424)	1,063,838
Increase / (decrease) in deferred income		32,191,326	(4,100,700)
(Decrease) / increase in accounts payable		(1,049,065)	250,031
Net cash flows from operating activities		34,912,856	3,256,578
Cash flows from investing activities			
Purchase of office furniture and equipment		(697,089)	(1,738,859)
Net increase in cash and cash equivalents		34,215,767	1,517,719
Cash and cash equivalents at January 1,		8,804,877	7,287,158
Cash and cash equivalents at December 31,		43,020,644	8,804,877
Analysis of cash and cash equivalents as shown in the balance sheet			
Cash in hand and at bank		43,020,644	8,804,877
Total		43,020,644	8,804,877

The notes on pages 4 to 9 form an integral part of these financial statements.

Georgetown Legal Aid Clinic Inc.

Notes to the Financial Statements

For the year ended December 31, 2007

1. Incorporation and principal activity

The company was incorporated in the Co-operative Republic of Guyana on February 16, 1993 under the Companies Act Cap: 89:01 as a company limited by guarantee and was continued under the Companies Act, 1991 on January 5, 1996. Operations commenced during March 1994.

The principal objective of the company is to provide free or subsidised legal advice and representation to persons, who because of lack of means would otherwise have their need for such advice and representation unmet, and to refer persons requiring non-legal help to appropriate agencies.

The company's registered office is located at First Floor, Eastern Section, Maraj Building, Charlotte & King Streets, Georgetown, Guyana.

These financial statements were approved by the Board of Directors on _____.

2. Statement of accounting policies

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards and no account has been taken of the effects of inflation.

In the current year, the Company adopted the new and amended standards and interpretations which came into effect, including IFRS 7: Financial Instruments: Disclosures, and the Capital Disclosures amendment to IAS 1: Presentation of Financial Statements. The adoption of these standards and interpretations did not have an impact on the Company's accounting policies but resulted in enhanced disclosures.

At the date of authorisation of these financial statements, IFRS 8: Operating Segments was in issue but not yet effective. Additionally, there are several Interpretations and amendments to existing Standards which are not yet effective. The directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Company.

(b) Income and expenditure

Income and expenditure are dealt with in these financial statements on the accrual basis.

(c) Revenue recognition

Revenue from services are recognised when the service has been rendered. Donations, other than capital donations, are recognised when received. Income from grants, other than capital grants, are recognised in income to the extent utilised. Any unutilised amounts are credited to deferred income.

Georgetown Legal Aid Clinic Inc.

Notes to the financial statements

For the year ended December 31, 2007

2. Statement of accounting policies continued

(d) Capital donations

Capital donations comprise the estimated or actual (if available) acquisition cost of office furniture and equipment donated in-kind as well as cash donations and grants received specifically for the acquisition of office furniture and equipment. Capital donation of non-depreciable assets are credited to capital reserve. Capital donation of depreciable assets are credited to deferred income with an amount equivalent to their annual depreciation charge transferred to the income and expenditure account each year.

(e) Reporting currency

These financial statements are stated in Guyana dollars. Foreign currency transactions during the year are translated at the exchange rates ruling at the dates of these transactions. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rates prevailing at the end of the year.

(f) Office furniture and equipment

Office furniture and equipment are stated at historical cost. Depreciation is provided for on the straight line basis at rates sufficient to write off the cost of the assets over their estimated useful lives. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. The rate used is as follows:

Office furniture and equipment 20%

3. Office furniture and equipment	Office furniture G\$	Office equipment G\$	Total G\$
Cost			
At January 1,	2,252,728	1,504,391	3,757,119
Additions	420,432	276,657	697,089
At December 31,	2,673,160	1,781,048	4,454,208
Depreciation			
At January 1,	695,912	1,290,718	1,986,630
Charges for the year	61,246	279,190	340,436
At December 31,	757,158	1,569,908	2,327,066
Net book value			
At December 31,	1,916,002	211,140	2,127,142
At January 1,	1,556,816	213,673	1,770,489

Georgetown Legal Aid Clinic Inc.

Notes to the financial statements

For the year ended December 31, 2007

4. Cash and Bank	2007	2006
	G\$	G\$
Cash on hand and deposits held with financial institutions:		
Cash on hand	56,929	35,080
Deposits	42,963,715	8,769,797
	<u>43,020,644</u>	<u>8,804,877</u>

Included in deposits are grants received but not utilised as detailed in note 6.

5. Deferred income (non-current)

Donated depreciable assets:	<u>304,024</u>	<u>1,348,370</u>
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6. Deferred income (current)

This represents grants received but not utilised at the end of the period:

MinCYS / UNICEF Children's Legal Aid Pilot Project	460,248	268,922
Ministry of Human Services and Social Security	32,000,000	-
Total funds not utilised	<u>32,460,248</u>	<u>268,922</u>

Please refer to note 7 for additional information on the MinCYS / UNICEF Children's Legal Aid Pilot Project. The amount received from the Ministry of Human Services and Social Security and deferred represents funding received pursuant to a Memorandum of Understanding between the Company and the Ministry dated 14 March 2008 for the purpose of enabling the Company to continue in operation and expand its services during 2008.

7. Grants	2007	2006
	G\$	G\$

This balance comprises monies received from the following parties:

(i) USAID/GDCCR Project	15,566,621	13,965,384
(ii) Ministry of Human Services and Social Security	200,000	200,000
(iii) MinCYS / UNICEF Children's Legal Aid Pilot Project	1,720,752	-
	<u>17,487,373</u>	<u>14,165,384</u>

(i) This represents a grant received from the Guyana Democratic Consolidation and Conflict Resolution Project (GDCCR) of the United States Agency for International Development (USAID) to enable the company to continue in operation and expand its services. This project came to an end in December 2007.

(ii) This represents an annual subvention received from the Government of Guyana through the Ministry of Human Services and Social Security to fund day-to-day activities of the company.

Georgetown Legal Aid Clinic Inc.

Notes to the financial statements

For the year ended December 31, 2007

7. Grants continued

(iii) These represents a grant received from the Ministry of Culture, Youth & Sports under a programme funded by The United Nations Children's Fund (UNICEF) for the purpose of providing legal aid services to children under a twelve-month pilot project commencing September 1, 2007.

(iv) The lease rental for the premises occupied by the company is funded directly by the Ministry of Public Works and Communications

8. Employment costs

Salaries	11,923,613	10,006,232
Allowances	2,395,156	1,181,635
Employer's NIS Contribution	470,015	450,042
Total	14,788,784	11,637,909

During the period, the company employed 7 persons (2006 - 7). An additional attorney-at-law was provided by the Ministry of Human Services & Social Security at no cost.

Key management personnel compensation	5,335,014	5,042,778
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No remuneration was paid to the Directors during the period.

	2007	2006
9. Other operating and administrative expenses	G\$	G\$
Advertising	20,924	44,700
Affidavit fees	70,688	92,316
Cleaning	-	12,347
Communication costs	311,783	233,960
Depreciation	340,436	35,870
Electricity	414,487	262,261
Financial charges	80,727	3,500
Insurance	20,137	22,676
Legal & professional fees	20,000	336,120
Miscellaneous expenses	66,458	55,640
Office expenses	835,627	625,785
Photocopying and postage	84,415	55,286
Repairs and maintenance - building	41,760	3,000
Repairs and maintenance - equipment	-	47,225
Security	94,438	53,000
Transportation	9,240	3,640
Bad debt	93,572	-
Total	2,504,692	1,887,326

Georgetown Legal Aid Clinic Inc.

Notes to the financial statements

For the year ended December 31, 2007

10. Taxation

On July 7, 1994 the company received approval from the Ministry of Finance to be deemed as a charitable organisation. The company is therefore exempt from Corporation and Property Taxes.

11. Financial Risk Management

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of business. The activities of the company however, being of a charitable nature, do not expose it to significant financial risks. Management nevertheless seeks to minimise potential adverse effects on the financial performance of the company by applying procedures to appropriately identify, evaluate and manage any risks which may arise. No derivative investments are presently used to manage, mitigate or eliminate exposure to financial instrument units.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company is not significantly exposed to credit risks as the counterparties to amounts receivable are primarily financial institutions with no known liquidity problems.

(ii) Interest rate risk

This is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The company earns interest on its cash deposits and none of its liabilities are subject to interest. The values of the cash deposits and liabilities are not influenced by future changes in interest rates.

(iii) Foreign Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company would incur foreign currency risk on transactions that are denominated in a currency other than the Guyana dollar. The company is however not significantly exposed to foreign currency risks.

(iv) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security, its issuer or factors affecting all securities traded in the market. The company has no exposure to market risk as it has no traded securities.

(v) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet its commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities.

Georgetown Legal Aid Clinic Inc.

Notes to the financial statements

For the year ended December 31, 2007

11. Financial Risk Management continued

(v) Liquidity risk continued

The company manages this risk by maintaining adequate financial assets in liquid form and continuously seeking commitments from donors and the Government of Guyana. The company's exposure to liquidity risk is summarised below:

	2007 G\$	2006 G\$
Accounts receivable	264,586	96,162
Cash and cash equivalents	43,020,644	8,804,877
Total assets	43,285,230	8,901,039
Accounts payable	(87,067)	(1,136,132)
Liquidity gap	43,198,163	7,764,907

The Company therefore has sufficient liquidity to fund liabilities as they fall due. Cash and cash equivalents include amounts treated as deferred income which will be utilised to fund future activities.

(vi) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount and timing. The company's financial assets are not expected to realise less than their carrying values.

12. Fair values of financial instruments

The fair value of cash and cash equivalents, accounts receivable, and accounts payable approximate to their carrying values due to their short term nature.