

**Special Fund for Ombudsman and
National Human Rights Institutions
in Latin America and the Caribbean**

Financial Statements

March 31, 2006

(expressed in United States dollars)

PricewaterhouseCoopers
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June 8, 2006

Auditors' Report

To the Directors and Donors of Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

We have audited the balance sheet of **Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean ("the Special Fund")** as at March 31, 2006 and the related statements of income and expenditure, fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Special Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Special Fund as of March 31, 2005 were audited by another auditor whose report dated March 31, 2005 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Special Fund as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Antigua	Charles W. A. Walwyn Robert J. Wilkinson
Barbados	J. Andrew Marryshow Philip St. E. Atkinson R. Michael Bynoe Ashley R. Clarke Gloria R. Eduardo Wayne I. Fields Maurice A. Franklin Marcus A. Hatch Stephen A. Jardine Lindell E. Nurse Brian D. Robinson Christopher S. Sambrano R. Charles D. Tibbits Ann M. Wallace-Elcock Michelle J. White-Ying
Grenada	Philip St. E. Atkinson (resident in Barbados)
St. Lucia	Anthony D. Atkinson Richard N. C. Peterkin

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Balance Sheet

As at March 31, 2006

(expressed in United States dollars)

	2006 \$	2005 \$
Assets		
Current assets		
Cash and bank	368,595	312,191
Short term deposits	50,000	—
Prepaid expenses – Web Page	86	—
	<u>418,681</u>	<u>312,191</u>
Equipment (note 7)	<u>4,546</u>	<u>—</u>
Total assets	<u>423,227</u>	<u>312,191</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	23,151	—
Other liabilities – Severance provision	<u>2,837</u>	<u>—</u>
Total liabilities	<u>25,988</u>	<u>—</u>
Fund balance	<u>397,239</u>	<u>312,191</u>
Total liabilities and fund balance	<u>423,227</u>	<u>312,191</u>

Approved by the Board of Directors

Director

Director

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Statement of Income and Expenditure
For the year then ended March 31, 2006

(expressed in United States dollars)

	Year ended March 31 2006 \$	6 month period ended March 31 2005 \$
Income		
Funds from donors	385,577	202,743
Operating expenditure		
Project expenditure (note 3)	159,962	31,516
Director's salary	30,000	14,058
Administrative, office and general (note 9)	29,655	11,782
Danish technical consultancy	27,020	—
Board of directors' meetings	16,772	58
Severance	11,350	—
External audit fees (note 10)	10,528	—
Travel and missions	7,229	12,794
Internal accountant	3,000	—
Web page maintenance	2,194	—
Bank charges	1,510	—
Information bulletin	766	1,578
Repairs and maintenance	195	—
Depreciation (note 7)	184	—
Contingencies	—	628
Other and miscellaneous	—	10
	300,365	72,424
Operating surplus for the year (2005: period)	85,212	130,319
Finance income (expense)		
Exchange differences – (loss) gain	(164)	38,450
Monetary result for the period (note 5)	—	(15,670)
	(164)	22,780
Surplus of income over expenditure for the year (2005: period)	85,048	153,099

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Statement of Cash Flows

For the year then ended March 31, 2006

(expressed in United States dollars)

	Year ended March 31 2006 \$	6 month period ended March 31 2005 \$
Cash flows from operating activities		
Operating surplus for the year (2005: period)	85,212	130,319
Items not affecting cash:		
Depreciation	184	
Exchange differences – (loss) gain	(164)	38,450
Monetary result	–	(15,670)
	<u>85,232</u>	<u>153,099</u>
Changes in non-cash working capital balances		
Prepaid expenses – Web Page	(86)	–
Accounts payable	23,151	–
Other liabilities – Severance provisions	2,837	–
	<u>111,134</u>	<u>153,099</u>
Cash flows from investing activities		
Purchase of equipment	(4,730)	–
Investment in short-term deposit	(50,000)	–
	<u>(54,730)</u>	<u>–</u>
Net cash used in investing activities		
	<u>56,404</u>	<u>153,099</u>
Net (decrease) increase in cash and cash equivalents		
	<u>312,191</u>	<u>159,092</u>
Cash and cash equivalents at beginning of year (2005: period)		
	<u>368,595</u>	<u>312,191</u>
Cash and cash equivalents at end of year (2005: period)		

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Statement of Changes in Equity
For the year then ended March 31, 2006

(expressed in United States dollars)

	Fund balance \$
Balance at October 1, 2004	159,092
Surplus of income over expenditure for the 6 month period	<u>153,099</u>
Balance at March 31, 2005	312,191
Surplus of income over expenditure for the year	<u>85,048</u>
Balance at March 15, 2006	<u>397,239</u>

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Notes to Financial Statements

March 31, 2006

(expressed in United States dollars)

1 Organization and background

Background

The philosophy and values of the “**Special Fund**” are in line with the principles established in the Universal Declaration of Human Rights which sets forth that “freedom, justice and peace in the world are based on the recognition of the intrinsic dignity of the equal and inalienable rights of the members of the human family, and consequently such rights must be protected by Law”, being essentially the cooperative development of relationships in equal and mutual respect conditions.

Organization

The International Civil Association was incorporated on June 19, 2003, and it was registered in Venezuela on August 4, 2004, for the stated purpose of supporting Ombudsmen (Protectors of Public Interest), Human Rights Watchers, National Human Rights Institutions in the defence, surveillance, protection, disclosure and promotion of Human Rights, and the consolidation and enhancement of democracy in Latin America and the Caribbean.

This Civil Association is comprised of:

1. Local Institutions Networks for the Protection and Promotion of Human Rights in America.
2. Ombudsman Central America Council.
3. Ombudsman Andean Council.
4. Ombudsman Caribbean Association.
5. Ombudsman Latin-American Federation.
6. Ombudsman International Institution for the European Region.
7. European Coordination of National Human Rights Institutions.

The aforementioned International Human Rights Networks appoint their representatives before the Board of Directors.

2 Significant accounting policies

a) Basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Notes to Financial Statements

March 31, 2006

(expressed in United States dollars)

2 Significant accounting policies ... continued

b) Foreign currency translation

The functional and presentational currency of the Special Fund is United States dollars. Transactions denominated in foreign currencies are translated into United States dollars at exchange rates prevailing at the respective transaction dates. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into United States dollars at exchange rates ruling at that date and the resulting gain or loss is included in operating results for the year. Substantially all of the Special Fund's transactions, assets and liabilities are denominated in United States dollars or Venezuelan Bolivars. The exchange rate prevailing during the year, and at the current and prior year end was 2150 Venezuelan Bolivars to one United States dollars.

c) Cash and banks

The Special Fund's cash is comprised of cash deposited by donating countries in checking accounts opened with foreign banks.

d) Revenue recognition

Revenues are generated by contributions made by donating countries and are recorded when received.

e) Advances for projects

The Special Fund grants advances for projects and these are recorded as expenses when incurred (see note 3).

f) Equipment and depreciation

Equipment is stated at cost less accumulated depreciation. The cost of repairs and replacements of a routine nature are charged to operations whilst those expenditures which improve or extend the useful lives of the assets are capitalised.

Depreciation is provided for using the straight line method at rates considered adequate to write off the cost of depreciable equipment, less residual value, over their estimated useful lives.

The annual rates used are:

Office equipment	20% and 33.33%
Computer equipment	33.33%

Where the carrying amount of an asset is greater than its recoverable amount it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the results of operations.

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Notes to Financial Statements

March 31, 2006

(expressed in United States dollars)

2 Significant accounting policies ... continued

(g) Severance provision

Severance provision is recognised based on the enacted Laws of Venezuela governing post-employment benefits. The provision is calculated based on current salary rates and recognised as it accrues.

3 Project expenditure

The funds used for the Projects are granted to their executors who afterwards present a detailed breakdown of the expenses incurred for the approval of the management of each Project. As of March 31, 2006, Projects expenditure (refunds) is as follows:

	2006 \$	2005 \$
Honduras Project	25,274	—
Guatemala Project	19,650	—
Paraguay Project	19,000	—
Chiapa Project	18,408	—
Caribbean Island Mission Project	17,000	—
Paraguay Project	16,994	—
St. Lucia/Antigua Project	13,257	—
Nicaragua Project	11,321	16
Argentina- Buenos Aires Project	11,158	—
CARDA Project	10,907	—
Mexico Project	(322)	15,000
Bolivia Project	(2,685)	16,500
	<hr/>	<hr/>
	191,478	31,516

4 Income taxes

Pursuant to the prevailing Income Tax Law, published in Official Gazette No. 5566, Article No. 14, dated December 28, 2001, non profit associations are exempted from payment of income taxes. The Special Fund is exempted from this payment, since it was incorporated as a non-profit association.

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Notes to Financial Statements

March 31, 2006

(expressed in United States dollars)

5 Monetary result

The monetary result for the period ended March 31, 2005 is as follows:

	6 month period ended March 31 2005 \$
Monetary position at the beginning of the period	159,092
Increase for the period	241,193
Decrease for the period	(40,908)
Estimated monetary position at the end of the period	359,377
Less –actual monetary position at the end of the period	(343,707)
	<u>15,670</u>

6 Exchange control

Effective February 2003, the Venezuelan Government and the Central Bank of Venezuela entered into several exchange agreements that rule the Foreign Currency Management Regime and establish the exchange rate applicable to transactions set forth in such agreements.

On February 5, 2003, the Venezuelan Presidency issued Decree No. 2302, subsequently amended through Decree No. 2330 dated March 6, 2003, that provides for the functions of CADIVI and the Standards for the Management and Control of Foreign Currencies. As provided by such decree, the President of the Republic, in Council of Ministers, will approve the general guidelines for the distribution of foreign currencies in the exchange market, based on CADIVI's opinion and the budget of foreign currencies that will be prepared under the application of the exchange agreement. Such decree also establishes that the acquisition of foreign currencies will be subjected to the prior registration of the interested party in the registry of users and the authorization to participate in the exchange regime with the supporting documents and other requisites to be established by CADIVI.

On February 6, 2004, the National Government and the Central Bank of Venezuela amended the Exchange Agreement No. 2 dated February 5, 2003 through which the exchange rates are modified to Bs. 1,915 per US dollar for purchases and Bs. 1,920.00 per US dollar for sales. In addition, such Agreement provides for the liquidation at the exchange rates provided by the former agreement for some purchases and sales of foreign currencies pending to be liquidated and for those in transit made by exchange operators.

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Notes to Financial Statements

March 31, 2006

(expressed in United States dollars)

6 Exchange control ... continued

On March 2, 2005, the National Government and the Central Bank of Venezuela amended the Exchange Agreement No. 2 dated February 5, 2004, through which the exchange rates are modified to Bs. 2,144.60 per US\$ for purchases and Bs. 2,150 for sales. In addition, such Agreement provides for the liquidation at the exchange rates provided by the former agreement for some purchases and sales of foreign currencies pending to be liquidated and for those in transit made by exchange operators.

CADIVI has issued certain rules related to the registrations, guidelines, requisites and conditions related to the regime of management of foreign currencies.

7 Equipment

	Office equipment \$	Computer equipment \$	Total \$
Year ended March 31, 2006			
Opening net book value	—	—	—
Additions	1,041	3,689	4,730
Depreciation charge	(36)	(148)	(184)
Closing net book value	1,005	3,541	4,546
As at March 31, 2006			
Cost	1,041	3,689	4,729
Accumulated depreciation	(36)	(148)	(184)
Net book amount	1,005	3,541	4,546

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Notes to Financial Statements

March 31, 2006

(expressed in United States dollars)

8 Adoption of International Financial Reporting Standards

During the year the Special Fund fully adopted International Financial Reporting Standard (IFRS).

The impact of adopting IFRS on the Special Fund's financial position is as follows:

	March 31 2006 \$	March 31 2005 \$
Decrease in fund balance	(191,478)	(31,516)
Decrease in advances for projects	<u>(191,478)</u>	<u>(31,516)</u>

The effect of adopting IFRS on the Special Fund's financial reporting is summarised as follows:

Advances for projects

Funds disbursed to projects are now recognised as an expenditure and included in the statement of income and expenditure. Previously, project expenditure was being recognised as an asset and included in the balance sheet as advances for projects. Funds disbursed to various projects are not recoverable by the Special Fund.

A reconciliation of the Special Fund's fund balance at March 31, 2006 and 2005 is shown below:

	March 31 2006 \$	March 31 2005 \$
Fund balance as reported under previous accounting framework	522,435	343,707
Effect of recognising project advances as expenditure	<u>(191,478)</u>	<u>(31,516)</u>
Fund balance as reported under IFRS	<u>330,957</u>	<u>312,191</u>

A reconciliation of the Special Fund's surplus of income over expenditure for the period ended March 31, 2005 is shown below:

	Period ended March 31 2005 \$
Surplus of income over expenditure as reported under previous framework	184,615
Recognition of project advances as expenditure	<u>(31,516)</u>
Surplus of income over expenditure as reported under IFRS	<u>153,099</u>

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

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March 31, 2006

(expressed in United States dollars)

9 Administrative, office and general expenditure

Administrative, office and general expenditure represents expenditure for various items including: telephone, delivery and postage, office materials, rent, parking, taxi, refreshments and other miscellaneous charges.

10 External audit fees

External audit fees for the year ended March 31, 2006 is comprised as follows:

	\$
6 month period ended March 31, 2005 (Deloitte)	2,728
Year ended March 31, 2006 (PricewaterhouseCoopers)	<u>7,800</u>
	<u>10,528</u>

11 Financial instruments

All of the Special Fund's assets and liabilities are financial instruments, with the exception of prepaid expenses and equipment.

Interest rate risk

Differences in contractual repricing or maturity dates and changes in interest rates may expose the Special Fund to interest rate risk. The Special Fund's financial assets and liabilities are non-interest bearing with the exception of the short term deposit which earns interest at a rate of 5% per annum. These instruments generally bear interest at fixed rates thereby minimising the Special Fund's exposure to interest rate risk.

Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Special Fund. The Special Fund has made adequate provision for any potential credit losses and the amount of the Special Fund's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

Currency risk

Substantially all of the company's transactions and assets and liabilities are denominated in United States dollars or Venezuelan Bolivars. Therefore, the Special Fund has no significant exposure to currency risk.

Special Fund for Ombudsman and National Human Rights Institutions in Latin America and the Caribbean

Notes to Financial Statements

March 31, 2006

(expressed in United States dollars)

11 Financial instruments ... continued

Fair value

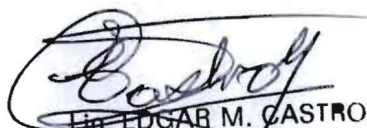
Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. With the exception of cash and short term deposit, none of the Special Funds's financial instruments are traded in a formal market. Estimated fair values are assumed to approximate their carrying values.

FONDO ESPECIAL PARA OMBUDSMAN
BALANCE GENERAL
AL 31-03-06
(Expresado en Dolares)

ACTIVO	\$	\$
CIRCULANTE:		
Efectivo en Caja y Banco	369.574,21	
Gastos Pagados por Anticipado	85,52	
Anticipos de Proyectos	<u>191.478,36</u>	
Total Activo Circulante		561.138,09
INVERSIONES FIANCIERAS:		
Certificado de Depósito a Plazo Fijo		50.000,00
ACTIVO FIJO:		
Mobiliario y Equipos de Oficina	1.041,40	
Menos: Depreciación Acumulada	(35,62)	
Equipos de Computación	3.688,59	
Menos: Depreciación Acumulada	<u>(148,07)</u>	
Total Activo Fijo		4.546,30
TOTAL ACTIVO		<u><u>615.684,40</u></u>

PASIVO Y FONDO SOCIAL

	PASIVO	
CIRCULANTE:		
Cuentas por Pagar Director	7.738,40	
Honorarios por Pagar	<u>6.900,00</u>	
Total Pasivo Circulante		14.638,40
MEDIANO PLAZO:		
Presaciones Sociales (Antigüedad)	9.990,93	
Intereses Presaciones Sociales	<u>1.358,92</u>	
Total Pasivo Mediano Plazo		11.349,85
TOTAL PASIVO		25.988,26
FONDO SOCIAL		
Fondo Social Estatutario	149.044,69	
Excedente Acumulado Ingresos/ Egresos	194.662,62	
Excedente Ingresos/ Egresos del Ejercicio	<u>245.988,84</u>	
TOTAL FONDO ESPECIAL		589.696,14
TOTAL PASIVO Y FONDO SOCIAL		<u><u>615.684,40</u></u>


Lic. EDGAR M. CASTRO
CONTADOR PUBLICO
C.P.C. N° 6246

FONDO ESPECIAL PARA OMBUDSMAN
ESTADO DE RESULTADOS
DEL 30-04-05 AL 31-03-06
(Expresado en Dolares)

INGRESOS:	\$	\$
INGRESOS ORDINARIOS:		
Donaciones Asdi, Suecia	151.268,75	
Donaciones Dinamarca	160.707,99	
Donaciones España	74.580,00	
TOTAL INGRESOS ORDINARIOS		<u>386.556,74</u>
TOTAL INGRESOS		<u><u>386.556,74</u></u>

GASTOS OPERACIONALES:

Sueldos del Director	30.000,00	
Servicios Logísticos	20.250,65	
Servicio Telefónico	2.769,83	
Reuniones Oficiales	889,09	
Envíos Internacionales	914,70	
Viajes de Secretaría	4.495,00	
Viajes Directores	1.309,58	
Reunión Junta Directiva Europa	13.625,18	
Reunión Junta Directiva Regional	3.146,85	
Mantenimiento Página Web	2.193,82	
Boletín Informativo	765,84	
TOTAL GASTOS OPERACIONALES		<u>80.360,53</u>

GASTOS DE CONTINGENCIAS:

Asesoría Técnica Danesa	27.020,05	
Audidores Externos Deloitte	10.527,91	
Contador Interno	3.000,00	
Prestaciones Sociales (Antigüedad)	11.349,85	
Materiales de Oficina	1.267,79	
Mantenimiento y Reparación	195,00	
Gastos Bancarios	1.510,30	
Alquileres Oficina Febrero y Marzo 2006	465,12	
Otros Egresos	228,56	
Estacionamiento	106,90	
Impuestos, Tasas y Contribuciones	73,86	
Depreciación	183,69	
Refrigerios Comidas	1.667,04	
Taxis Varios	1.021,91	
Diferencial Cambiario	164,08	
Pasajes del Dr. Carlos Constenla	1.424,86	
TOTAL GASTOS CONTINGENTES		<u>60.206,91</u>
TOTAL GASTOS DEL EJERCICIOS		<u><u>140.567,44</u></u>

EXCEDENTES DE INGRESOS S/EGRESOS	<u><u>245.989,30</u></u>
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