

Financial Statements
at December 31, 2003

(With Independent Auditors' Report
Thereon)

**TRANSPARENCY INTERNATIONAL e.V.,
Berlin**

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TRANSPARENCY INTERNATIONAL e.V., BERLIN
STATEMENT OF INCOME AND EXPENDITURES
FOR THE YEAR ENDING DECEMBER 31, 2003

	2003	2002
	Euro '000	
Donor Contributions - Note 3	5,847	5,718
Other Operating Income - Note 8	523	106
Total Revenues	6,370	5,824
Personnel Expenses	-2,563	-2,238
Depreciation of Fixed Assets	-64	-64
Other Operating Expenses - Note 9	-3,736	-3,599
Operating Result	7	-77
Interest Income	7	20
Result from Ordinary Activities	14	-57
Movement on Reserves for		
Unamortized Donor Funded Fixed Assets - Note 5	44	39
Surplus / - Deficit of the Year	58	-18

TRANSPARENCY INTERNATIONAL e.V., BERLIN
CASH-FLOW STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2003

	2003 Euro '000	2002 Euro '000
Profit/loss for the year	58	-18
Depreciation	64	64
Movement on Special reserve	-44	-39
Movement in Payables	160	898
Movement in Receivables	42	-302
Subtotal	280	603
Investments	-95	-207
Change in liquid funds	185	396
Liquid assets beginning of year	867	471
Liquid assets end of year	1,052	867

TRANSPARENCY INTERNATIONAL e.V., BERLIN

NOTES TO THE FINANCIAL STATEMENTS

1. General, Legal and Tax Affairs

Transparency International e.V. – in the following referred to as Transparency International – Secretariat (TI-S) - is a not-for-profit association registered in Berlin, Germany. As the head of a worldwide Non-Governmental Organization focussing exclusively on fighting bribery and corruption, TI-S serves as the secretariat to almost 90 national chapters. ¹

In compliance with its charter TI-S serves solely charitable purposes and is officially recognized by the Berlin tax authorities as exempt from corporate and trade tax liabilities. The current triannual exemption is valid until December 31, 2004.

The following Directors served on the Board of Directors during 2003:

Claudio Weber Abramo (Brazil)
 Laurence Cockcroft (UK)
 Peter Eigen (Germany) – Chair
 Mame Adama Gueye (Senegal)
 John Makumbe (Zimbabwe)
 Rosa Inés Ospina Robledo (Colombia) – Vice Chair
 Emilia Sicakova (Slovakia)
 Admiral Ram Tahiliani (India)
 Nancy Zucker Boswell (USA) (since May 2003)
 Inese Voika (Latvia) (since May 2003)
 Huguette Labelle (Canada) ((since May 2003)
 Jermyn Brooks (UK) (since May 2003)
 Luis Moreno Ocampo (Argentina) (until May 2003)
 Peter Rooke (Australia) (until May 2003)
 Michael Wiehen (Germany) (until May 2003)
 Fritz Heimann (USA) (until May 2003)

Directors are elected by the Membership Meeting of TI-S, with membership consisting of accredited National Chapters and Personal Active Members. While travel and out-of-pocket expenses were reimbursed in 2003 no remuneration or other fees are paid to the Directors by TI-S. TI-S is governed by TI's Code of Ethics and the TI-S Code of Conduct. ²

¹ The current charter and further details on TI-S' governance can be found at http://www.transparency.org/about_ti/organised.html.

² See http://www.transparency.org/building_coalitions/conduct.html.

2. Accounting Principles

The financial statements have been drawn up in accordance with German Commercial Law (HGB). For TI-S these principles comply with International Financial Reporting Standards (IFRS).

3. Donor Funding

Donor funds are recognized as income either in the year for which the grant is made (unrestricted funding) or in line with the progress of specifically funded projects.

Disbursements by Transparency International of Donor Funds for National Chapters and others are initially recorded as receivables from chapters or as advances to projects. They are recorded as Income from Donor Contributions only once they have been accounted for by the recipients of the funds. Funds received from donors which have not yet been utilized for projects are deferred as Liabilities to Donors, whereas funds disbursed but not yet accounted for by the recipients (at December 31, 2003: Euro 1,537,000 (2002: Euro 1,331,000)) are transferred to Other Liabilities. To the extent that funding commitments have been received at the balance sheet date, these are recorded as Donor Commitments.

Donor	2003 Euro		2002 Euro	
	Total Disbursements	Changes in outstanding advances to chapters and others	Recorded as Income	
Department for International Development, United Kingdom (DfID)	560,062	-38,446	521,615	1,089,965
Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ), Germany	516,662	171,482	688,144	890,441
Ministry for Foreign Affairs of Finland	478,047	-224,497	253,550	177,492
U.S. Agency for International Development (USAID)	453,696	206,846	660,542	559,911
European Commission	394,500	-35,058	359,442	80,536
Canadian International Development Agency (CIDA)	369,828	-106,384	263,444	198,076
AVINA Group, Switzerland	346,926	53,787	400,713	323,440
Ministry of Foreign Affairs, The Netherlands	332,377	0	332,377	331,008
The Ford Foundation, USA	314,440	-47,416	267,025	142,565
Swiss Agency for Development and Cooperation (SDC)	304,342	0	304,342	307,456
Royal Danish Ministry of Foreign Affairs (DANIDA)	249,457	0	249,457	214,325
Norwegian Agency for International Development (NORAD)	242,127	0	242,127	319,017
Swedish International Development Cooperation Agency (SIDA)	217,623	0	217,623	158,236
The World Bank	208,868	0	208,868	6,117
African Development Bank	146,191	-49,556	96,635	0
Auswärtiges Amt, Germany	124,351	-87,569	36,782	0
Christian Michelsen Institute (CMI), Norway	85,188	0	85,188	12,008
John D. and Catherine T. MacArthur Foundation, USA	60,884	7,336	68,220	146,026
Ireland AID	60,790	-13,621	47,170	0
The Charles Steward Mott Foundation	60,716	0	60,716	106
Deutsche Gesellschaft für Techn. Zusammenarbeit (GTZ), Germany	48,053	-30,515	17,538	224,254
British Council, United Kingdom	41,352	0	41,352	7,404
Bertelsmann Foundation, Germany	30,000	0	30,000	150,000
Center for International Private Enterprise (CIPE), USA	27,506	0	27,506	52,880
United Nations Development Programme (UNDP)	24,774	0	24,774	0
Management Assistance Group (MAG), USA	23,221	0	23,221	0
Ashoka	23,076	0	23,076	0
General Electric Corporate, USA	20,633	0	20,633	26,050
Novo Nordisk, Denmark	19,780	0	19,780	0
Northrop Grumman Corporation, USA	19,708	0	19,708	0
Rio Tinto London Ltd., UK	12,522	0	12,522	0
BP International, UK	12,448	0	12,448	0
Norsk Hydro Asa Konsern, Norway	12,448	0	12,448	0
International Federation Ins AG, London	12,448	0	12,448	0
PricewaterhouseCoopers, UK	12,084	0	12,084	0
Memphis Logistics Center	8,689	0	8,689	0
SAP AG, Germany	8,689	0	8,689	0
Investitionsbank Berlin (IBB), Germany	8,578	0	8,578	0
Shell UK Ltd., UK	7,496	0	7,496	33,171
Hartmut Fischer, Germany	7,000	0	7,000	0
Robert Bosch Stiftung, Germany	7,000	0	7,000	0
KPMG, Germany	7,000	0	7,000	0
The Ministry of Foreign Affairs and Trade, New Zealand (NZ AID)	6,265	1,669	7,934	151
Motorola Inc Viabes Industrial Estate	6,042	0	6,042	0

Donor	2003 EUR			2002 EUR
	Total Disbursements	Changes in outstanding advances to chapters and others	Recorded as Income	
Transparency International - Deutsches Chapter e.V., Germany	6,000	0	6,000	0
Bombardier Inc. Corporation	5,974	0	5,974	0
SIKA Services	5,367	0	5,367	0
Future Forest Foundation	5,063	0	5,063	0
ISIS Equity Partner Holdings	4,776	0	4,776	0
Kreditanstalt für Wiederaufbau (KfW), Germany	4,576	0	4,576	0
Gabriele Geyer, Italy	4,374	0	4,374	0
European Bank for Reconstruction and Development, UK	4,286	0	4,286	7,038
Tinker Foundation, Inc., USA	4,199	0	4,199	7,270
Chase Manhattan Bank, USA	4,173	0	4,173	0
Goldmann Sachs	4,173	0	4,173	0
HSBC Private Banking, UK	4,173	0	4,173	0
Brooklyn Bridge TBLI Award	4,000	0	4,000	0
Fuji Xerox, Japan	3,899	0	3,899	0
AMEC	2,877	0	2,877	0
Hochtief AG, Germany	2,870	0	2,870	0
Consolidators Contractors	2,870	0	2,870	0
Obayashi Corporation	2,870	0	2,870	0
Hilti Corporation, Liechtenstein	2,870	0	2,870	0
SNC Lavalin International	2,870	0	2,870	0
Skanska/Huffmann, Sweden	2,870	0	2,870	0
ABB Ltd.	2,870	0	2,870	0
Allianz Versicherung, Germany	2,500	0	2,500	0
Transparency International Australia	2,319	0	2,319	1,660
Banco Santander, Spain	1,571	0	1,571	5,013
Vorarlberger Medienhaus, Austria	1,000	0	1,000	0
Fundacion Para Las Relaciones Interfilipe, Spain	1,000	0	1,000	0
Open Society Institute, Hungary		0	0	161,184
Société Générale, France		0	0	10,625
Credit Suisse Private Banking, Switzerland		0	0	5,778
Australian Agency for International Development (AusAID)		0	0	5,705
William F. Biggs, USA		0	0	2,988
Tiruchinapalli Maheshwar, USA		0	0	1,062
The Mayor of Seoul, Republic of Korea		0	0	985
Foundation Volkart Vision, Switzerland		0	0	4,598
Other (less than Euro 1,000 each)	8,268	0	8,268	53,432
Totals	6,038,544	-191,941	5,846,603	5,717,974

4. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are stated in accordance with the principle of the lower of cost or market except for Cash and Bank balances, which are stated at current market value. As of 2003, outlays of donor funds to National Chapters and other recipients are stated at the exchange rate used when making the transfer.

5. Fixed Assets

Fixed Assets are depreciated using the straight-line method, mainly between 3 and 5 years. In the case of assets funded by donors, the respective amount is appropriated to the Reserve for Unamortized Donor-Funded Fixed Assets, which has been released to income as the respective Donor-Funded Fixed Asset is depreciated. To align the HGB statements with IFRS, the practice of appropriation of a reserve for non-donor funded Fixed Assets has been discontinued as of 2002. Remaining reserves for assets acquired in prior years have been released in 2003.

The costs of the CORIS software system paid to an outside software developer for the amount of Euro 62,000 have been capitalized in 2003 (Euro 124,000 in 2002).

Asset analysis as per 31.12.2003

- Euro '000 -

	1.1.2003		Acquisition Costs		31.12.2003		1.1.2003		Depreciation		Book Values	
	1.1.2003	Additions	Disposals	31.12.2003	31.12.2003	Disposals	1.1.2003	Additions	Disposals	31.12.2003	1.1.2003	31.12.2003
Intangible Assets	165	64	1	228			19	10	1	28	146	200
Property, Plant and Equipment	326	24	57	293			206	47	57	196	120	97
Low value Equipment		7	7					7	7			
	491	95	65	521			225	64	65	224	266	297

6. Funds

The Funds of the association are classified into Reserves for Unamortized Donor-Funded Fixed Assets, Surplus Reserves and Unappropriated Retained Earnings. Surplus reserves are set up in accordance with German tax law. In the year 2003 and 2002 funds developed as follows:

	Balance at 1 - 1 - 2003	Net Profit of the Year	Release of Reserves	Appropriation to Reserves	Balance at 31 - 12 - 2003
	EUR	EUR	EUR	EUR	EUR
Reserves for Unamortized Donor- Funded Fixed Assets	44		-44		
Surplus Reserves					
Reserves for Operating Resources	59		-59	115	115
Free Reserves	15			2	17
	118		-103	117	132
Unappropriated Surplus		58	59	-117	
Funds	118	58	-44		132

7. Personnel

In 2003 TI-S employed an average of 62 (2002: 60) employees of which 6 (2002: 6) were interns. Where services are provided by others, their costs are shown in Other Operating Expenses.

Other accruals are related to personnel and audit fees.

8. Other Operating Income

Other Operating Income	2003 '000 Euro	2002 '000 Euro
Income 11th IACC	396	
Foreign Exchange Translation Differences	5	13
Release of provisions	1	
Reimbursement of travel expenses by third parties	81	54
Speaking fees	15	1
Publications	6	9
Other	19	29
	523	106

Expenditure for the 11th IACC are included in personnel expenses and other operating expenses.

9. Other Operating Expenses

Other Operating Expenses	2003 '000 Euro	2002 '000 Euro
Fees, Honoraria and Other Personnel Expenses	763	1,095
Travel Expenses	1,123	1,146
Projects and Meetings	887	690
Publication and Communication	292	237
Maintenance, Rent and Leasing	302	230
Other	310	145
Foreign Exchange Translation Differences	59	56
	3,736	3,599

Independent Auditors' Report

To Transparency International e.V.

We have audited the accompanying balance sheet and notes to the financial statements of Transparency International e.V., Berlin, as of December 31, 2003, and the related statements of income and expenditures, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003, and of the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in Germany.

Our assignment and professional liability is governed by the General Conditions of Assignment for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2002. By reading and using the information contained in this report, the recipient confirms notice of the provisions of the General Conditions of Assignment (including the limitation of our liability as stipulated in No. 9) and accepts the validity of the attached General Conditions of Assignment with respect to us.

April 29 , 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Gutsche
Wirtschaftsprüfer

Geisler
Wirtschaftsprüfer