
**IUCN International Union for the
Conservation of Nature and Natural Resources,**
Gland (Switzerland)

Consolidated Financial Statements for the
Year ended December 31, 2003
and Auditors' Report

INDEPENDENT AUDITOR'S REPORT

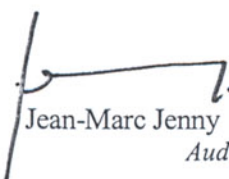
To the Council of the
International Union for the Conservation
of Nature and Natural Resources, Gland (Switzerland)

We have audited the accompanying consolidated balance sheet of the International Union for the Conservation of Nature and Natural Resources ("IUCN") as at December 31, 2003, the consolidated statements of income and expenditure and cash flows for the year then ended, and the notes to the financial statements. These financial statements are the responsibility of IUCN'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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of IUCN as at December 31, 2003, and the consolidated results of its operations and cash flows for the year then ended in accordance with the accounting policies described in note II.

DELOITTE & TOUCHE SA



Jean-Marc Jenny
Auditors in charge



Géraldine Matchett

March 29, 2004

Attached : Financial statements (consolidated balance sheet, consolidated statement of income and expenditure, consolidated cash flow statement and notes)

IUCN - THE WORLD CONSERVATION UNION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

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IUCN - THE WORLD CONSERVATION UNION
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

(In Swiss francs)	Notes	2003	2002
ASSETS			
Current assets			
Cash and short term bank deposits	III	37,535,346	30,908,609
Marketable securities	IV	5,597,135	5,384,443
Membership dues receivables	V	4,115,943	4,508,238
Staff receivables	VI	385,348	418,569
Receivables from Partner organizations	VII	408,841	439,159
Other account receivables		1,983,956	1,615,665
Subtotal		50,026,569	43,274,683
Framework agreements receivables		407,317	298,621
Project agreements receivables	IX	7,287,185	7,587,214
Total current assets		57,721,071	51,160,518
Fixed assets (Net)			
Land and buildings		12,737,968	13,057,865
Furniture, fixtures and equipment		1,585,261	1,727,575
Total fixed assets	X	14,323,229	14,785,440
TOTAL ASSETS		72,044,300	65,945,958

LIABILITIES AND FUND BALANCES			
Liabilities			
Current liabilities			
Membership dues paid in advance		885,413	1,189,646
Accounts payable and accrued liabilities	XI	4,960,011	4,249,677
Social charges payable		547,693	754,338
Staff leave and repatriation	XII	925,381	880,146
Advances on project agreements	IX	33,453,477	27,422,082
Deferred income on framework agreements	VIII	692,971	2,147,427
Miscellaneous current liabilities		223,498	469,737
Total current liabilities		41,688,444	37,113,053
Provisions			
Staff termination		2,324,396	2,200,887
Membership dues in arrears	V	2,492,796	1,726,557
Projects in deficit		1,422,145	1,333,735
World Conservation Congress 2004		703,514	550,000
Total provisions	XIII	6,942,851	5,811,179
HQ building fund	X	12,025,342	12,333,684
Reserves and Fund Balances			
IUCN Fund (Council Designated Reserves)	XIV	6,241,460	5,833,407
Currency translation adjustment	XV	(1,657,332)	(424,784)
Cost Centers Reserves and Fund Balances	XVI	3,225,912	3,403,575
Secretariat Contingency Fund	XVI	3,577,622	1,875,844
Total Reserves and Fund Balances		11,387,662	10,688,042
TOTAL LIABILITIES AND FUND BALANCES		72,044,300	65,945,958

See notes to the consolidated financial statements as indicated.

IUCN - THE WORLD CONSERVATION UNION
CONSOLIDATED INCOME & EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003
(Amounts in Swiss Francs (CHF))

	Notes	Year 2003				Year 2002			
		Secretariat Unrestricted	Framework Agreements	Project Agreements	Total	Secretariat Unrestricted	Framework Agreements	Project Agreements	Total
EXTERNAL OPERATING INCOME									
Membership dues invoiced during the year		9,131,555			9,131,555	8,851,859			8,851,859
Swiss Government Tax Rebate	XVII	1,285,748			1,285,748	1,224,916			1,224,916
Agreements income	XVIII	363,188	20,470,106	66,100,766	86,934,060	695,669	22,052,684	56,410,710	79,159,063
Publication sales and subscriptions		171,548	180	0	171,728	214,215	435	73,846	288,496
Other operating income	XIX	2,492,240	(2,694)	2,047,802	4,537,348	2,100,794	9,765	1,094,403	3,204,962
TOTAL EXTERNAL OPERATING INCOME		13,444,279	20,467,592	68,148,568	102,060,439	13,087,453	22,062,884	57,578,959	92,729,296
INTERNAL ALLOCATIONS									
Frameworks allocations		17,528,354	(20,397,608)	2,819,184	(50,070)	16,960,104	(20,814,382)	3,975,967	121,689
Cross charges from projects		14,223,077	(517,310)	(11,652,938)	2,052,829	9,976,457	(852,894)	(10,177,012)	(1,053,449)
Other internal allocations		511,330	91,524	(2,605,613)	(2,002,759)	1,030,561	60,934	(159,735)	931,760
NET ALLOCATION		32,262,761	(20,823,394)	(11,439,367)	0	27,967,122	(21,606,342)	(6,360,780)	0
OPERATING EXPENDITURE									
Personnel costs		33,867,513	182,774	24,418,269	58,468,556	33,770,848	414,679	23,596,388	57,781,915
Travel and communications		2,684,003	99,488	6,126,021	8,909,512	2,913,082	180,885	5,113,143	8,207,110
Vehicles & Equipment - costs & maintenance		1,463,118	160	2,778,954	4,242,232	1,931,488	3,854	3,558,084	5,493,426
Office and general administrative costs		4,280,892	22,917	3,310,580	7,614,389	4,354,128	38,229	3,769,914	8,162,271
Publications and printing costs		1,063,853	91,368	2,206,875	3,362,096	1,146,566	75,213	2,347,847	3,569,626
Workshops and grants to partners		1,627,460	682,597	11,132,923	13,442,980	1,941,607	860,712	10,560,970	13,363,289
Other operating expenditure		788,802	7,885	384,968	1,181,655	535,914	7,804	352,969	896,687
Project cross charges		(820,841)	0	0	(820,841)	(5,991,668)			(5,991,668)
TOTAL OPERATING EXPENDITURE		44,954,800	1,087,189	50,358,590	96,400,579	40,601,965	1,581,376	49,299,315	91,482,656
NET OPERATING SURPLUS (DEFICIT)		752,240	(1,442,991)	6,350,611	5,659,860	452,610	(1,124,834)	1,918,864	1,246,640
OTHER INCOME (EXPENDITURE)									
Interest income		539,063	49	53,721	592,833	646,885	0	145,321	792,206
Financial charges		(280,392)	(210)	(155,953)	(436,555)	(229,644)	(609)	(95,369)	(325,622)
Capital gains/(loss)		65,167	0	723	65,890	(34,703)	0	0	(34,703)
Net gains/(losses) on foreign exchange	XV	1,445,171	(11,304)	81,288	1,515,155	1,463,606	119	(59,188)	1,404,537
Net movements in provision and write-offs		(781,206)	0	1,034	(780,172)	(1,140,780)	97,590	(99,342)	(1,142,532)
TOTAL OTHER INCOME (EXPENDITURE)		987,803	(11,465)	(19,187)	957,151	705,364	97,100	(108,578)	693,886
NET SURPLUS (DEFICIT) FOR THE YEAR		1,740,043	(1,454,456)	6,331,424	6,617,011	1,157,974	(1,027,734)	1,810,286	1,940,526
Movements in framework receivables/deferred income			1,454,456		1,454,456		1,027,734		1,027,734
Movements in projects advances and deferred income				(6,331,424)	(6,331,424)			(1,810,286)	(1,810,286)
Allocation (to)/from Council Designated Reserves	XIV	(215,928)			(215,928)	4,199			4,199
NET MOVEMENT IN BALANCE FROM OPERATIONS		1,524,115	0	0	1,524,115	1,162,173	0	0	1,162,173

See notes to the consolidated financial statements as indicated.

IUCN - THE WORLD CONSERVATION UNION
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

Amounts in Swiss Francs (CHF)	Notes	2003	2002
Cash flows from operating activities			
Net Balance from Operations		1,524,115	1,162,173
Adjustment for items not involving cash movements:			
Depreciation charge for the year	X	992,524	1,151,435
Release of depreciation charge from HQ Building Fund		(308,342)	(308,342)
Net movement in provisions for membership dues in arears	XIII	766,239	(8,650)
Net movement in provisions for projects in deficit	XIII	88,410	(91,099)
Net movement in provision for World Conservation Congress 2004	XIII	153,514	200,000
Net movement in the provision for staff termination	XIII	123,509	150,883
Net movement in staff leave and repatriation liabilities	XII	45,235	(361,407)
Net adjustment for items not involving cash movements		1,861,089	732,820
Net Cash from Operating activities		3,385,204	1,894,993
Application of funds on fixed assets and working capital			
Purchase of fixed assets	X	(530,313)	(945,708)
Net movement in Marketable securities		(212,692)	(29,165)
(Increase)/Decrease in Membership dues receivable		392,295	(970,686)
(Increase)/Decrease in Staff receivables		33,221	(10,438)
(Increase)/Decrease in receivables from Partner Organisations		30,318	4,905
(Increase)/Decrease in Other Accounts Receivables		(368,291)	(24,664)
Increase/(Decrease) in Membership dues paid in advance		(304,233)	136,115
Increase/(Decrease) in accounts payable and accrued liabilities		710,334	(2,093,064)
Increase/(Decrease) in social charges payable		(206,645)	(832,031)
Increase/(Decrease) in Miscellaneous current liabilities		(246,239)	(552,857)
Increase/(Decrease) in Council Designated Reserves		408,053	(4,199)
Transfers from previous year's reserves		0	(5,164)
Net application of funds on fixed assets and working capital		(294,192)	(5,326,956)
Framework agreements and project balances			
(Increase)/Decrease in Framework agreements receivable		(108,696)	(298,621)
(Increase)/Decrease in Project agreements receivable		300,029	247,706
Increase/(Decrease) in Advances on project agreements		6,031,395	1,562,580
Increase/(Decrease) in Deferred income on framework agreements		(1,454,456)	(1,027,734)
Net movements on framework agreements & project balances		4,768,272	483,931
Effect of Exchange rate changes	XV	(1,232,547)	(2,279,324)
Net Cash inflow/(outflow) for the year		6,626,737	(5,227,356)
Cash and Short term deposits at the beginning of the year	III	30,908,609	36,135,965
Cash and Short term deposits at the end of the year	III	37,535,346	30,908,609

See notes to the consolidated financial statements as indicated

IUCN - THE WORLD CONSERVATION UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

I. ACTIVITY

IUCN-The World Conservation Union was constituted by Statutes adopted in 1948 at a conference convened by the Republic of France, with membership comprised of States, Governmental Agencies, and International and National Non-governmental Associations. The members registered IUCN Statutes as an international association of governmental agencies and non-governmental organizations under Article 60 of the Swiss Civil Code. The mission of IUCN is to influence, encourage and assist societies throughout the world to conserve the integrity and diversity of nature and to ensure that any use of natural resources is equitable and ecologically sustainable.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DEFINITIONS

1. Income

All unrestricted income is accounted for on an accrual basis. Framework agreement income, which is not of a project nature, is recognized on an accruals basis once the agreement has been signed. Project income is recognized on the basis of the expenditure incurred.

2. Expenditure

All unrestricted expenditure is accounted for on an accruals basis. Project expenditure is generally accounted for on a cash basis except at the end of the project when it is recognised on an accruals basis.

3. Project agreements

These are funds received or to be received from donors in accordance with specific agreements. These funds are subject to a restricted use, usually determined by specific budget lines included in the agreement.

At the close of the year, based on the accrued expenditure and cash income, projects may be in positive or negative balances. The sum of the positive balances is reported as Advances on project agreements in the Balance Sheet while the sum of the negative balances is reported as Project Agreement receivables.

4. Framework agreements

Framework agreements represent funds received or to be received from donors in accordance with signed agreements. These funds are subject to some restriction in their use, but unlike projects, the restrictions are more generic and generally determined by geographic or thematic conditions.

5. Foreign exchange

In accordance with IUCN Regulations, the reporting currency is Swiss Francs (CHF) in which IUCN headquarters accounting records are maintained. However all offices except the UK maintain their ledgers and books of accounts in the US Dollar or the Euro. The UK books of accounts are maintained in Swiss Francs but will be changed to the British Pounds in 2004.

The following accounting policies are followed in converting transactions and balances to the reporting currency:

- Transactions denominated in currencies other than the office ledger currency are converted and recorded based on the exchange rates prevailing at the date of the transaction. At the end of the year all accounts maintained in the original currencies are valued to the currency of the office ledger at the year-end rate. The gains and losses created are recognised in the income and expenditure statement of that ledger.

IUCN - THE WORLD CONSERVATION UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

5. Foreign Exchange - continued

- At consolidation, all transactions in non-Swiss Franc office ledgers are translated at the monthly rate of exchange, and the resulting gain or loss on exchange is accounted for in the income and expenditure statement.
- Except for fixed assets and reserves which are stated at historical values, the consolidated balance sheet is translated at the year-end exchange rate and the resulting net unrealised gain or loss is shown as currency translation adjustment in the balance sheet.

6. Year-end Exchange Rates

The following are the principal rates of exchange used at the end of the year to revalue the balance sheet items to Swiss Francs (CHF) for reporting purposes:

	<u>31 December 2003</u>	<u>31 December 2002</u>
US Dollar	1.2423	1.3875
EURO	1.5595	1.4546

7. Fixed assets

Fixed asset purchases are capitalised when the purchase price is CHF 500 and above (or the equivalent in other currencies) and when ownership resides with IUCN. Fixed assets are depreciated over their estimated useful lives on the following basis:

- Computer hardware and software 3 years
- Vehicles 4 years
- Office Equipment 5 years
- Office Furniture 7 years
- Building Renovations 10 years
- Buildings 50 years

The depreciation policy for office equipment and building renovations was changed as of 1 January 2003. The depreciation period for office equipment was reduced from 7 to 5 years while that of Building Renovations was increased from 7 to 10 years. The effect on the income and expenditure statement as a result of this change was not material.

8. Provision against Membership dues receivable

Provision for membership dues in arrears is calculated based on the outstanding balance at the close of the year. As approved by the council, the provisions are calculated on the following basis:

- Membership dues outstanding for five or more years 100%
- Membership dues outstanding for four years 80%
- Membership dues outstanding for three years 60%
- Membership dues outstanding for two years 40%
- Membership dues outstanding for one year 20%

However, the provision against the arrears for some state members is calculated on an individual basis after a review of their own special situation.

IUCN - THE WORLD CONSERVATION UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

9. IUCN Fund (Council designated reserves)

The Council Designated Reserves referred to as the IUCN Fund since 2002 are maintained in order to preserve the Union's capital base. All income earned is credited to the fund until and unless otherwise decided by the Council.

The Wasaa facility fund is included in the IUCN Fund. Following the acquisition and outfitting of the WASAA building in Nairobi, Kenya, a separate restricted reserve of CHF 205,332 at 31 December 2003 (2002 - CHF 181,312) was created to account for repayment of capital to World Conservation Trust Fund now merged into the IUCN Fund. IUCN is required to maintain separate books of accounts for the Wasaa Trust as required under the laws of Kenya.

10. Unrestricted income

This represents funds received by IUCN without externally imposed conditions.

III. CASH AND SHORT TERM DEPOSITS

Cash and short-term bank deposits as at 31 December 2003 includes all bank accounts operated by IUCN. Of the balance held at Headquarters, CHF 38,659 (2002 - CHF 19,182) is part of the IUCN Fund (the Council designated reserves). The analysis by region is as follows:

Region or Office	2003	2002
Asia	3,233,256	3,497,876
Canada	82,526	37,839
Central Africa	576,706	164,146
Central America	904,045	746,552
Eastern Africa	666,845	958,936
Europe	298,985	390,705
Environmental Law Centre, Bonn	355,044	333,410
Headquarters (Switzerland)	25,751,953	18,669,735
Mediterranean	87,419	5,274
South America	218,477	109,793
Southern Africa	3,844,508	3,581,261
United Kingdom	82,796	265,303
United States	258,227	859,981
Western Africa	1,174,559	1,287,798
TOTAL	<u>37,535,346</u>	<u>30,908,609</u>

Cash flow statement

The Cash flow statement has been prepared to show the sources and application of cash resources available within IUCN. During the year, IUCN cash and short term deposits increased by CHF 6,626,737 as analysed above. Cash from operations increased from CHF 1,894,993 in 2002 to CHF 3,385,203 during 2003. The adverse effect on the cash resources from exchange rates movements decreased from CHF 2,279,324 during 2002 to CHF 1,232,547 during 2003.

IUCN - THE WORLD CONSERVATION UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

IV. MARKETABLE SECURITIES

These portfolios form part of the assets for the IUCN Fund which was previously comprised of two funds, the World Conservation Trust Fund and the Headquarters Facility Fund.

The portfolio of marketable securities is stated at the lower value of cost or market at 31 December. This evaluation has been done on an individual security basis.

	COST	MARKET VALUE	LOWER OF COST OR MARKET
<u>2003</u>			
Marketable Securities - IUCN Fund	<u>5,709,583</u>	<u>5,749,908</u>	<u>5,597,135</u>
<u>2002</u>			
Marketable Securities - IUCN Fund	<u>5,597,292</u>	<u>5,501,593</u>	<u>5,384,443</u>

V. MEMBERSHIP DUES RECEIVABLES AND PROVISIONS

Provisioning for Membership dues in arrears is made in line with the policy approved by the IUCN Council, described in note II.8 above.

Description	2003	2002
Gross Membership Dues Receivable	4,115,943	4,508,238
Provision against dues in arrears	<u>(2,492,796)</u>	<u>(1,726,557)</u>
Net Membership Dues Receivable	<u>1,623,147</u>	<u>2,781,681</u>

Aging analysis	1998	1999	2000	2001	2002	2003	Total
States	34,898	215,628	393,190	513,628	775,216	1,087,838	3,020,398
Government Agencies	0	8,972	13,043	59,352	171,259	358,311	610,937
Int'l Non-Governmental Orgs	0	0	1,954	3,644	8,734	30,984	45,316
National NGOs	648	5,808	33,076	64,020	121,411	161,834	386,797
Affiliates	<u>0</u>	<u>2,032</u>	<u>4,188</u>	<u>5,619</u>	<u>17,776</u>	<u>22,880</u>	<u>52,495</u>
Total	<u>35,546</u>	<u>232,440</u>	<u>445,451</u>	<u>646,263</u>	<u>1,094,396</u>	<u>1,661,847</u>	<u>4,115,943</u>
Percentage of total	<u>1%</u>	<u>6%</u>	<u>11%</u>	<u>16%</u>	<u>27%</u>	<u>40%</u>	<u>100%</u>

IUCN - THE WORLD CONSERVATION UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

VI. STAFF RECEIVABLES

Staff receivables are comprised of travel advances, payroll advances and loans to staff outstanding as at 31 December. The credit amounts within the staff accounts that are due to staff are netted off the receivables to show a net amount.

	2003	2002
Net Travel Advances	301,355	300,892
Payroll advances and Staff Loans	<u>83,993</u>	<u>117,677</u>
Total Staff Receivables	<u>385,348</u>	<u>418,569</u>

VII. RECEIVABLES FROM PARTNER ORGANIZATIONS

These amounts represent balances due from or (due to) organizations associated with IUCN, and which were outstanding as at 31 December.

	2003	2002
RAMSAR Convention Bureau	(32,348)	99,540
Cat Specialist Group	(717)	7,605
Traffic International	77,000	0
European Mountain Forum	189,757	101,997
Other receivables	<u>175,149</u>	<u>230,017</u>
Total receivables from partner orgs.	<u>408,841</u>	<u>439,159</u>

Other receivables comprise of partner organisations in South America (CHF 62,474), United Kingdom (CHF 69,465), Asia (CHF 33,397), Meso America (CHF 6,204) and Tropical Forest Trust at Headquarters (CHF 3,609).

VIII. RECEIVABLES AND DEFERRED INCOME ON FRAMEWORK AGREEMENTS

Receivables on Framework Agreements represent the balances of the framework agreements not received as at the end of the year. The amount is usually accrued and included as part of the framework agreements income. As at 31 December 2003, the outstanding amount of CHF 407,317 was due from one framework donor while, the outstanding amount of CHF 298,621 as at 31 December 2002 was due from two donors.

Deferred income on Framework Agreements represents the net balances on the restricted activities funded by framework agreements or income received in advance of the period in which it relates. The deficits are normally netted off the surpluses and both take account of project balances brought forward from previous years. As at 31 December 2003 the net balance of CHF 692,971 included CHF 100,000 relating to the 2004 frameworks but received in advance in 2003. The outstanding amount as at 31 December 2002 of CHF 2,147,427 included CHF 1,000,000 relating to 2003 but received in 2002.

IX. PROJECT AGREEMENTS RECEIVABLES AND ADVANCES

Receivables and Advances are calculated respectively from the portfolio of projects in deficit and from the portfolio of projects in surplus at the close of the year. Both have been calculated at the main project level and amount to the following: Project agreement receivables - CHF 7,287,185 as at 31 December 2003 (2002 - CHF 7,587,214) and Project advances - CHF 33,453,477 (2002 - CHF 27,422,082).

IUCN - THE WORLD CONSERVATION UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

X. FIXED ASSETS

Fixed assets purchased using unrestricted income are depreciated over their estimated useful life as per note II.7 above. The headquarters building is discussed in more detail in the note below.

	Vehicles Equipment Furniture & Fixtures	Head- quarters Building	Other Land and Buildings	Total
<u>Cost:</u>				
Balance 01-01-2003	7,639,178	17,642,820	794,764	26,076,762
Additions	530,313		0	530,313
Balance 31-12-2003	<u>8,169,491</u>	<u>17,642,820</u>	<u>794,764</u>	<u>26,607,075</u>
<u>Depreciation</u>				
Balance 01-01-2003	(5,911,603)	(5,309,136)	(70,583)	(11,291,322)
Charge for the year	(672,626)	(308,342)	(11,555)	(992,524)
Balance 31-12-2003	<u>(6,584,229)</u>	<u>(5,617,478)</u>	<u>(82,138)</u>	<u>(12,283,846)</u>
<u>Net Book Value:</u>				
Balance 31-12-2003	<u><u>1,585,261</u></u>	<u><u>12,025,342</u></u>	<u><u>712,626</u></u>	<u><u>14,323,229</u></u>
Balance 01-01-2003	<u><u>1,727,575</u></u>	<u><u>12,333,684</u></u>	<u><u>724,181</u></u>	<u><u>14,785,440</u></u>

HEADQUARTERS BUILDING

1. Headquarters building, fixtures and fittings

During the period 1990 to 1993, IUCN received donations from the Swiss Confederation, the Canton of Vaud, the Commune of Gland and other donors for the purpose of constructing a facility to house the IUCN Headquarters Secretariat. The Commune of Gland gave IUCN the right to use the land, at no cost, for 50 years, beginning in 1993. As at the date of assignment, the land was valued at CHF 4,250,000; this value is not reflected in these financial statements.

Although IUCN formally owns the Headquarters building, it enjoys a restricted use and cannot dispose of it or use it as collateral without the approval of the Swiss government. If disposed of, the Swiss Government will recuperate its initial outlay plus a percentage of the value added, if applicable. The cost of the building is included in the fixed assets but there is a corresponding fund created to recognise the restricted nature of the building.

2. Accumulated depreciation on the headquarters building

The building is depreciated over the 50-year land-use right. Depreciation began on 1 January 1993 and has been charged to the Headquarters Building Fund. Therefore the net Headquarters building asset balance of CHF 12,025,342 (2002 - CHF 12,333,684) reflects the capitalised value of CHF 17,642,820 less the accumulated depreciation as of 31 December 2003 amounting to CHF 5,617,478 for which there is a corresponding Headquarters Building Fund shown on the balance sheet.

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3. Insurance value of fixed assets

As at 31 December 2003 the fixed assets at headquarters were insured for CHF 17,310,049. The WASAA building in Kenya and the fixed assets are insured for Kenya Shillings 44.5 million (CHF 721,824), which is the estimated replacement value. The building in Zimbabwe and the fixed assets are insured for Z\$ 500 million which translates to approximately USD 119,000 at the parallel market rate of exchange. This compares to the original cost of the building of USD 125,000.

XI. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities represents amounts owed to creditors and suppliers as at the end of the year. Of the total outstanding of CHF 4,960,011 as at 31 December 2003, CHF 1,216,061 related to Headquarters and the balance to regional and country offices (CHF 4,249,677 as at 31 December 2002 of which CHF 1,461,801 related to Headquarters).

XII. STAFF LEAVE AND REPATRIATION LIABILITIES

Staff leave refers to the holiday entitlement, which had not been used by the end of the year. Since staff at Headquarters are not allowed to accumulate more than 10 days, and in view of the fact that the days would be covered as part of the normal staff notice period, it was deemed that the recognition of liabilities against staff leave is not necessary. The liability was therefore released back to reserves for Headquarters in 2002. The Regional Offices are required to review their own situations locally and do what is necessary in order to comply with local laws. There was no change in the policy for liabilities for staff repatriation. This amount covers the estimated cost of repatriation of all international staff currently on the payroll.

XIII. PROVISIONS

Statement of movements of provisions

	Opening balance	Utilization	Replenish- ment	Net movement	Closing balance
Staff termination	2,200,887	(493,824)	617,333	123,509	2,324,396
Membership arrears	1,726,557	(7,084)	773,323	766,239	2,492,796
Projects in deficit	1,333,735	0	88,410	88,410	1,422,145
Congress 2004	550,000	(146,486)	300,000	153,514	703,514
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Provisions	5,811,179	(647,394)	1,779,066	1,131,672	6,942,851

The provision against costs associated with the termination of staff contracts is calculated separately for each office to be in compliance with local labour law requirements.

The provisions against projects in deficit is funded by unrestricted income and covers projects where negotiations are still ongoing but where IUCN considers that it may not be able to obtain additional funds from donors to cover expenditures already incurred. The following is an analysis of these provisions by region:

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XIII (contd) – Analysis of Provisions for projects in deficit

REGION	2003	2002	Variance
Asia Region	410,666	458,664	(47,998)
Central Africa Region	255,409	206,406	49,003
Eastern Africa Region	252,126	245,314	6,812
Europe Region	62,935	102,710	(39,775)
Headquarters	140,375	109,436	30,939
Southern Africa Region	20,660	10,834	9,826
Western Africa Region	260,229	175,847	84,382
Other Offices	19,745	24,524	(4,779)
TOTAL	<u>1,422,145</u>	<u>1,333,735</u>	<u>88,410</u>

Other offices include the Environmental Law Centre and the IUCN UK Office in Cambridge. There were no write-offs of project balances during 2003.

XIV. IUCN FUND – COUNCIL DESIGNATED RESERVES

The reserves and funds, as detailed below, are maintained to reflect the restricted nature of certain income and to protect IUCN's financial position against possible future adverse operating conditions. During the year ended 31 December 2003 there was a net surplus of the fund's operations of CHF 215,928 against a net deficit of CHF 4,199 during the previous year. The analysis of the movements of the fund is as follows:

	WASAA Trust	IUCN Fund	TOTAL
Balance as at 1 January 2003	<u>181,312</u>	<u>5,652,095</u>	<u>5,833,407</u>
Interest income and dividends	0	129,547	129,547
Rental income	50,000	0	50,000
Capital Gains	0	54,169	54,169
Marketable Securities Revaluation Gains	0	99,713	99,713
Expenses	<u>(25,980)</u>	<u>(91,521)</u>	<u>(117,501)</u>
Net movements during the year	<u>24,020</u>	<u>191,908</u>	<u>215,928</u>
Total Fund before other adjustments	<u>205,332</u>	<u>5,844,003</u>	<u>6,049,335</u>
Other adjustments	<u>0</u>	<u>192,125</u>	<u>192,125</u>
Balance as at 31 December 2003	<u>205,332</u>	<u>6,036,128</u>	<u>6,241,460</u>

The other adjustments to the IUCN Fund relates to a 1999 consolidation suspense account previously presented in the balance sheet under Accounts Payable which has now been identified and reclassified.

XV. CURRENCY TRANSLATION ADJUSTMENT & FOREIGN EXCHANGE GAINS /(LOSSES)

Currency translation adjustment represents changes in the value of the net assets of IUCN at the consolidation level as a result of movements of the US Dollar and the Euro against the Swiss Franc. All ledgers other than those at Headquarters and the United Kingdom are expressed in either the US Dollar or the Euro. All assets and liabilities except fixed assets and reserves are revalued to the Swiss Franc at the respective rates at the end of the year and the resulting revaluation gain or loss is posted to the currency translation adjustment. Fixed assets are carried at historical values. The net loss increased from CHF 424,784 at the end of 2002 to CHF 1,657,332 at the end of 2003 principally owing to the decline of the US Dollar against the Swiss Franc. Exchange gains and losses at the individual ledgers level are dealt with in the income and expenditure statement. The unrestricted gain on exchange in the year 2003 amounted to a net of CHF 1,445,171 (2002 - CHF 1,463,606).

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XVI. COST CENTRES RESERVES AND SECRETARIAT CONTINGENCY FUND

	Regional & Country Office CCs	Cost Centers at HQ	Secretariat Contingency Fund	TOTAL
Balance as at 1 January 2003	3,040,221	363,354	1,875,844	5,279,419
Reclassification of balance b/fwd	256,917	(44,325)	(212,592)	0
Readjusted balance as at 1 January 2003	3,297,138	319,029	1,663,252	5,279,419
Net surplus/(Deficit) for 2003	(668,683)	2,192,798	-	1,524,115
Transfer to Secretariat Contingency	(83,311)	(1,975,413)	2,058,724	0
Net Balances	2,545,144	536,414	3,721,976	6,803,534
Other adjustments incl. uncovered deficits	144,354	0	(144,354)	0
Balance as at 31 December 2003	2,689,498	536,414	3,577,622	6,803,534

		2003 Reserves B/FWD Currency	2003 movement Currency	Transfer to Cont. Fund Currency	2003 Reserves Balance CHF	Provision projects in Deficit CHF	Net Balance CHF
West Africa Regional Office	EUR	213,604	(30,295)	0	285,870	(260,229)	25,641
Environmental Law Centre	EUR	40,115	18,886	(7,554)	80,232	(16,592)	63,640
Asia Regional Office	USD	1,180,433	(4,979)	0	1,460,266	(410,666)	1,049,600
Canada	USD	87,881	0	0	109,175	0	109,175
Central America Regional Office	USD	127,254	(8,584)	0	147,424	0	147,424
Southern Africa Regional Office	USD	429,206	(2,024)	0	530,688	(20,660)	510,028
South America Regional Office	USD	9,234	(5,717)	0	4,368	0	4,368
Central Africa Regional Office	EUR	0	20,610	(8,244)	19,285	0	19,285
European Regional Office	EUR	0	42,369	(20,916)	33,455	0	33,455
Commissions' Operating Funds		111,753	17,662	(47,606)	84,605	0	84,605
3 IC Funds	CHF	617,335	(112,209)	0	504,605	0	504,605
UK Publications restricted activities	CHF	55,749	18,653	0	74,401	0	74,401
African Elephant Trust Fund	CHF	58,870	4,401	0	63,271	0	63,271
Total regional & Country Offices CCs					3,397,645	(708,147)	2,689,498
Cost Centers at HQ		319,029	2,042,798	(1,825,413)	536,414	0	536,414
Cost Centers Reserves & Fund Balances					3,934,059	(708,147)	3,225,912

Gross Secretariat Contingency Fund					4,396,231	(461,872)	3,934,359
East Africa Regional Office	USD	406,370	(461,654)	0	(68,680)	(252,126)	(320,806)
United States of America	USD	17,967	(29,420)	0	(14,228)	0	(14,228)
WESCANA Regional Office	CHF	(21,703)	(21,550)	21,550	(21,703)	0	(21,703)
Total Cost Centers in deficit					(104,611)	(252,126)	(356,737)
Secretariat Contingency Fund					4,291,620	(713,998)	3,577,622
Total IUCN Balances from operations					8,225,679	(1,422,145)	6,803,534

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XVII. SWISS GOVERNMENT TAX REBATES

In order to have one salary scale and one payroll for both Swiss and non-Swiss staff at headquarters, the practice followed since inception has been to show the taxes payable by non-Swiss staff as tax rebate as income under contributions. It included CHF 1,285,748 (2002 - CHF 1,224,916) representing the real value of taxes that would have been paid by non-Swiss staff members exempted on the basis of the Fiscal Agreement between IUCN and the Swiss Government, which entered into effect on 1st January 1987.

XVIII. AGREEMENTS INCOME

1. Project agreements

Annex A provides the breakdown of income received from Governments, Government Agencies and International Organisations as well as from Legacies, Foundations and Corporations. It includes contributions, projects income and framework agreement income on the basis of receipts.

2. Framework agreements

Annex B provides the listing of contributions by donors under Framework Agreements from which the income was allocated to the various IUCN programmes.

XIX. OTHER OPERATING INCOME

Other operating income includes CHF 452,000 (2002 - CHF 444,000) overhead and management fees charges received from RAMSAR Convention Bureau, Headquarters Cafeteria sales income of CHF 306,992 (2002 - CHF 285,492) and cost reimbursement from Shell International of CHF 159,437 (2002 - CHF 210,349). The balance is made up of miscellaneous external income received by IUCN offices around the world.