

**World Anti-Doping Agency
Lausanne**

**Report of the auditors
to the Foundation Board**

**Financial statements for the year
ended December 31, 2003**

17 May 2004/0.0110633.001/ROF/IMI

Report of the auditors
to the Foundation Board of the
World Anti-Doping Agency
Lausanne

As auditors of the Foundation under Article 14 of the foundation deed, we have audited the accounting records and the financial statements of the World Anti-Doping Agency for the year ended December 31, 2003.

These financial statements are the responsibility of the Executive Committee of the Foundation Board. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

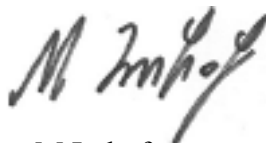
In our opinion, the accounting records and financial statements comply with the requirements of Swiss law and the foundation deed.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA



F Roth



M Imhof

Lausanne, 17 May 2004

Enclosures:

- Financial statements (balance sheet, statement of activities, statement of cash flow and notes)

World Anti-Doping Agency

Balance sheet at 31 December 2003 and 2002

(in Swiss Francs with 2003 audited US Dollar figures as complementary information - Note 2a)

	Notes	2003 USD	2002 USD	2003 CHF	2002 CHF
Assets					
Current assets					
Cash and cash equivalent	4	10'652'788	5'489'029	13'294'356	7'607'245
Receivables	5	921'098	389'885	1'149'503	540'340
Other current assets	6	1'715'330	321'189	2'140'680	445'136
Non-current assets					
Fixed assets	7	581'279	896'390	725'419	1'242'306
Total assets		13'870'495	7'096'493	17'309'958	9'835'027
Liabilities and equity					
Current liabilities					
Accounts payable		385'824	3'165	481'497	4'386
Accrued expenses	8	2'000'072	1'854'054	2'496'030	2'569'532
Long Term Liabilities					
Research Fund	13	-	4'700'375	-	6'514'249
Total liabilities		2'385'896	6'557'594	2'977'527	9'088'167
Equity					
Foundation capital		3'607'764	3'607'764	5'000'000	5'000'000
Currency Translation Reserve		398'736	-	(603'659)	-
Excess of expenses over income brought forward		(3'068'865)	(144'886)	(4'253'140)	(200'797)
Excess of income over expenses of the year		10'546'964	(2'923'979)	14'189'230	(4'052'343)
Total Equity		11'484'599	538'899	14'332'431	746'860
Total liabilities and equity		13'870'495	7'096'493	17'309'958	9'835'027

"Notes 1 to 15 are integral part of the financial statements"

World Anti-Doping Agency

Statement of activities for the years ended 31 December 2003 and 2002

(in Swiss Francs with 2003 audited US Dollar figures as complementary information - Note 2a)

	Notes	2003 USD	2002 USD	2003 CHF	2002 CHF
Income					
Annual contributions	9	18'040'167	12'511'140	24'270'122	17'339'189
Grants	10	1'032'852	1'828'011	1'389'535	2'533'440
Project Grants		96'957	539'991	130'440	748'374
Other	11	164'242	64'061	220'960	88'782
Total Income		19'334'218	14'943'203	26'011'057	20'709'785
Operating expenses					
Salaries and other personnel costs	12	4'259'649	2'524'269	5'730'668	3'498'384
Travel and accomodation		1'331'740	3'508'199	1'791'640	4'862'013
Information and Communications		385'688	657'005	518'881	910'541
Contributions to other institutions (IADA)		4'990	290'459	6'713	402'548
Testing fees		3'060'416	3'914'594	4'117'294	5'425'235
Accreditation Fees		333'446	-	448'598	-
Research Grants	13	(3'526'215)	2'494'108	(4'743'951)	3'456'586
IT Development Expenses		62'529	-	84'123	-
Project Consulting fees		717'796	952'986	965'678	1'320'744
Administration		2'768'836	1'972'376	3'725'020	2'733'516
Depreciation		393'786	389'823	529'775	540'256
Total operating expenses		9'792'661	16'703'819	13'174'439	23'149'823
Excess of operating income (expenses) before financial income and expenses		9'541'557	(1'760'616)	12'836'618	(2'440'038)
Financial income (expenses)					
Interest		97'026	115'168	130'533	159'612
Bank Fees		(10'306)	(10'390)	(13'865)	(14'400)
Net (Gains)/Losses on Exchange Rates		918'687	(1'268'141)	1'235'944	(1'757'517)
Total financial income (expenses), net		1'005'407	(1'163'363)	1'352'612	(1'612'305)
Excess of income over expenses (expenses over income) for the year		10'546'964	(2'923'979)	14'189'230	(4'052'343)

"Notes 1 to 15 are integral part of the financial statements"

World Anti-Doping Agency

Statement of cash flow for the years ended 31 December 2003 and 2002

(in Swiss Francs with 2003 audited US Dollar figures as complementary information - Note 2a)

	2003 USD	2002 USD	2003 CHF	2002 CHF
Operating activities				
Excess of income over expenses (expenses over income) for the year	10'546'964	(2'923'979)	14'189'230	(4'052'343)
Allocation to provision for bad debt	37'483	-	50'428	-
Research Grants	(4'700'375)	37'214	(6'323'593)	51'576
Exchange (Gains)/Losses on Research fund	-	(629'430)	-	(872'327)
Depreciation on fixed assets	393'786	389'823	529'775	540'256
Interest received	(97'026)	(115'168)	(130'533)	(159'612)
Changes in:				
- Receivables	(568'696)	(265'989)	(765'088)	(368'634)
- Other current assets	(1'394'141)	38'119	(1'875'591)	52'828
- Accounts payable	382'659	(317'025)	514'806	(439'364)
- Accrued expenses	146'017	1'049'159	196'443	1'454'029
Net source (use) of cash in operating activities	4'746'671	(2'737'276)	6'385'877	(3'793'591)
Investing activities				
Deposits	-	(6'029)	-	(8'355)
Interest received	97'026	115'168	130'533	159'612
Purchase of fixed assets	(78'675)	(1'196'472)	(105'844)	(1'658'190)
Sale of fixed assets	-	13'010	-	18'028
Net cash used in investing activities	18'351	(1'074'323)	24'689	(1'488'905)
Financing activities				
Foundation capital received	-	-	-	-
Net cash from financing activities	-	-	-	-
Increase/(Decrease) in cash and cash equivalents	4'765'022	(3'811'599)	6'410'566	(5'282'496)
Currency translation impact	398'737	-	(723'455)	-
Cash and bank at the beginning of the year	5'489'029	9'300'628	7'607'245	12'889'741
Cash and bank at the end of the year	10'652'788	5'489'029	13'294'356	7'607'245

"Notes 1 to 15 are integral part of the financial statements"

World Anti-Doping Agency

Statement of changes in fund balances for the years ended 31 December 2003 and 2002

(in Swiss Francs with 2003 audited US Dollar figures as complementary information - Note 2a)

	USD	USD	USD	USD
	Foundation capital	Excess of expenses over income brought forward	Currency Translation	Total
Balance at 1 January 2002	3'607'764	(144'886)	-	3'462'878
Excess of income over expenses for the year	-	(2'923'979)	-	(2'923'979)
Balance at 31 December 2002 and 1 January 2003	3'607'764	(3'068'865)	-	538'899
Excess of income over expenses for the year	-	10'546'964	-	10'546'964
Exchange movement	-	-	398'736	398'736
Balance at 31 December 2003	3'607'764	7'478'099	398'736	11'484'599

	CHF	CHF	CHF	CHF
	Foundation capital	Retained earnings	Currency Translation	Total
Balance at 1 January 2002	5'000'000	(200'797)	-	4'799'203
Excess of income over expenses for the year	-	(4'052'343)	-	(4'052'343)
Balance at 31 December 2002 and 1 January 2003	5'000'000	(4'253'140)	-	746'860
Excess of income over expenses for the year	-	14'189'230	-	14'189'230
Exchange movement	-	-	(603'659)	(603'659)
Balance at 31 December 2003	5'000'000	9'936'090	(603'659)	14'332'431

"Notes 1 to 15 are integral part of the financial statements"

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

1. Activity

The World Anti-Doping Agency (WADA), domiciled in Lausanne, Switzerland, is a not-for-profit foundation which was constituted in Lausanne on 10 November 1999 under the Swiss Civil Code. On 2 June 2002, the Head Office of the WADA was officially moved to Montréal, in accordance with the vote of the Foundation Board on 21 August 2001 in Tallinn (Estonia), the office in Lausanne therefore becoming a branch office.

However, WADA remains a Swiss Foundation with its Registered Office in Lausanne, Switzerland.

The mission of the WADA is to promote and coordinate, at international level, the fight against doping in sport in all its forms. The Agency cooperates with intergovernmental organizations and governments (hereafter "Public Authorities") and other public and private organizations devoted to fighting against doping in sport, including the International Olympic Committee (IOC), the International sports Federations (IFs), the National Olympic Committees (NOCs) and athletes.

As from 1 January 2002, the financing of the WADA, is provided equally by the Olympic Movement and the Public Authorities implicated in the mission of the WADA. Previously, the financing was exclusively provided by the Olympic Movement.

2. Basis of presentation and summary of significant accounting policies

A. Basis of presentation

These financial statements will be approved by the Foundation Board of the WADA on 21st June 2004 and cannot be amended after issuance.

WADA accounts are produced according to the Swiss legal requirements.

The measurement currency has been changed to US Dollar in 2003 to reflect the fact that the major part of the activity (both funding and expenses) is US dollar based. The presentation currency is the Swiss Franc to fulfill Swiss legal requirements. Assets and liabilities are converted from US Dollars to Swiss Francs at the closing rate. Equity is kept at historical exchange rates (both in US Dollar and Swiss Franc). The statement of activities is translated at the average rate of the year. Any resulting exchange difference is recorded in the Currency Translation Reserve. The cash flow is converted at average rate of the year. Any resulting exchange difference is shown separately on the cash flow statement.

US Dollar figures are included as complementary information. US Dollar amounts are disclosed as per audited accounting records for the first time in 2003. The 2002 year-end exchange rates have been used for convenience for the purpose of presenting the unaudited US Dollar amounts relating to the 2002 US dollar comparative figures.

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

B. Foreign currencies

Foreign currency income and expenditure are accounted at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of activities. Non-monetary items that are carried at historical cost and denominated in a foreign currency are reported using the historical exchange rate at the date of the transaction.

C. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and unrestricted deposits held with banks with a maturity of up to three months.

D. Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Computer hardware and software	2.5 years
Office equipment	4 years

E. Leases

Lease of computer hardware and software where the Foundation has, substantially, all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of activities over the lease period. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases in which case, payments are charged to the statement of activities on a straight-line basis over the period of the lease. WADA does not currently hold any Financial Leases.

F. Revenue recognition

Annual contributions

The annual contributions due from the public authorities involved in the fight against doping in sport and the Olympic Movement are recognised in income in the period for which they are due.

Annual contributions which have not been paid by the year-end are only recognised when they are received.

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

Project Grants

Project Grants awarded as part of a specific project are recognized as income by reference to the stage of completion of the project. The stage of completion refers to total cost incurred to date as a percentage of total estimated costs for each project. Costs relating to projects are recognised when incurred. When it is probable that total costs relating to a specific project will exceed total donations awarded for that project, the expected loss is recognised as an expense immediately.

Financial income

Interest income is recognized on an effective yield basis.

Grants

Grants are recorded as an income when there is a reasonable assurance that the grant will be received and WADA will comply with all attached conditions.

G. Income taxes

The WADA is exempt from paying income taxes.

H. Research Grants

Research grants are provided to specific projects and paid by WADA on a yearly basis. These grants are covering a 12 months research period. They are expensed on a straight line basis from the date the amount is granted as per contractual agreement.

3. Financial risk management

1. Financial risk factors

Due to their international nature, WADA's activities expose it to the following financial risks, changes in foreign currency exchange rates and interest rates.

a. Foreign exchange risk

WADA is exposed to foreign exchange risks mainly because most of its revenues are generated in US dollars and Euro, whereas its operating expenses are essentially US Dollar and Canadian dollar based. As at 31 December 2003, WADA did not make use of any derivative financial instruments to cover its risks. However, it used US dollar, Swiss franc and Euro bank deposits to partly cover its currency exposure.

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

b. Interest rate risk

WADA is exposed to interest rate risks through the impact of rate changes on interest bearing assets. As at 31 December 2003, the WADA's only interest bearing assets were cash. To avoid Capital loss only Term Deposit investments were made.

c. Liquidity risk

WADA needs to maintain sufficient level of cash to finance its ongoing activities. In the absence of bank financing facilities it is dependent on the receipt of contributions on a timely basis from the stakeholders, to meet its cash needs.

d. Credit risk

Substantially all of WADA's revenues are generated from contributions which are recognised in the statement of activities at their payment date. Revenues generated from Grants are considered to be fully collectible by WADA. WADA has policies which limit the amount of credit and investment exposures. Cash is placed with major banks.

2. Fair value estimation

As at 31 December 2003, the fair value of cash and cash equivalents, receivables and other current assets and of accounts payable and accrued expenses were not significantly different from their book value due to their maturity being close to the balance sheet date.

4. Cash and cash equivalents	2003	2002	2003	2002
	USD	USD	CHF	CHF
Cash and cash equivalents	3'522'852	1'184'046	4'396'412	1'640'968
Bank deposits				
- in US Dollars	4'861'000	2'950'000	6'066'381	4'088'405
- in Euros	1'957'650	1'101'064	2'443'088	1'525'965
- in Canadian Dollars	311'286	253'919	388'475	351'907
Total cash and cash equivalents	<u>10'652'788</u>	<u>5'489'029</u>	<u>13'294'356</u>	<u>7'607'245</u>

Bank deposits are in major Swiss, Canadian and Japanese Banks subject to current interest rates on term deposit and current account.

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

5. Receivables	2003 USD	2002 USD	2003 CHF	2002 CHF
QST receivable	398'316	161'620	497'086	223'989
GST receivable	348'883	143'866	435'396	199'384
Recoverable withholding taxes	70'094	35'902	87'475	49'756
Other receivables	96'302	17'044	120'182	23'620
Receivable in litigation	23'195	-	28'947	-
Rental deposit	21'791	31'453	27'195	43'591
Provision for bad debts	(37'483)	-	(46'778)	-
Total receivables	921'098	389'885	1'149'503	540'340
6. Other current assets				
Accrued income	-	28'556	-	39'576
Prepaid Expenses	546'112	292'633	681'531	405'560
Prepaid Research Grants 2001	398'733	-	497'607	-
Prepaid Research Grants 2002	519'083	-	647'800	-
Prepaid Research Grants 2003	251'402	-	313'742	-
Total other current assets	1'715'330	321'189	2'140'680	445'136

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

7. Computer hardware and software, office equipment.

	Computer hardware and software		Office equipment		Total	
	USD	CHF	USD	CHF	USD	CHF
Year ended 31 December 2002						
Opening net book amount	41'027	66'874	32'853	53'551	73'880	120'426
Additions	272'433	367'551	939'899	1'294'586	1'212'333	1'662'136
Depreciation charge	(142'623)	(197'662)	(247'200)	(342'594)	(389'823)	(540'256)
Closing net book amount	170'837	236'763	725'552	1'005'543	896'390	1'242'306
At 31 December 2002						
Cost	313'461	434'425	972'752	1'348'137	1'286'213	1'782'562
Accumulated depreciation	(142'623)	(197'662)	(247'200)	(342'594)	(389'823)	(540'256)
Net book amount	170'838	236'763	725'552	1'005'543	896'390	1'242'306
Year ended 31 December 2003						
Opening net book amount	170'838	236'763	725'552	1'005'543	896'390	1'242'306
Additions	18'219	22'737	60'456	75'447	78'675	98'184
Depreciation charge	(127'019)	(170'884)	(266'767)	(358'891)	(393'786)	(529'775)
Exchange effect	-	(11'195)	-	(74'101)	-	(85'296)
Closing net book amount	62'038	77'421	519'241	647'998	581'279	725'419
At 31 December 2003						
Cost	331'680	457'162	1'033'208	1'423'584	1'364'888	1'880'746
Accumulated depreciation	(269'642)	(368'546)	(513'967)	(701'485)	(783'609)	(1'070'031)
Exchange effect	-	(11'195)	-	(74'101)	-	(85'296)
Net book amount	62'038	77'421	519'241	647'998	581'279	725'419

8. Accruals

	2003	2002	2003	2002
	USD	USD	CHF	CHF
Accruals	983'617	1'854'054	1'227'524	2'569'532
Accrued Laboratory expenses	283'250	-	353'487	-
Accrued Research Grants 2001	242'000	-	302'009	-
Accrued Research Grants 2002	-	-	-	-
Annual contribution received in advance	491'205	-	613'009	-
Total Accruals	2'000'072	1'854'054	2'496'030	2'569'532

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

9. Annual contributions

	2003 USD	2002 USD	2003 CHF	2002 CHF
2002 Public Authorities and Governments	1'375'302	6'326'552	1'850'245	8'767'969
2002 International Olympic Committee (IOC)	1'854'699	6'184'588	2'495'197	8'571'220
2003 Public Authorities and Governments	7'978'873	-	10'734'282	-
2003 International Olympic Committee (IOC)	6'831'293	-	9'190'398	-
Total Annual Contributions	18'040'167	12'511'140	24'270'122	17'339'189

10. Grants

WADA benefits from two major government supports. On one hand, the Canadian government provides WADA with a cash contribution of a total of CAD 10 million, indexed, over a ten-year period and exempts WADA from any income tax and value added tax. On the other hand, the government of Quebec also provides CAD 5 million, indexed, over a ten-year period to WADA. The Grants are actually paid as one from a corporation, Montreal International, formed by the aforementioned Governments. The Grants are subject to the following conditions: WADA to maintain its permanent operational Head Quarters in Montreal, maintain a minimum staff of 17 - 25 personnel and supply, quarterly unaudited and annual audited accounts, budgets and activity reports as well as to continue its original mission. The aim of these government supports is to encourage and support WADA's activities on a long-term basis.

The total cash amount granted to WADA by Montreal International in 2003 is total CHF 1'389'535 (USD 1'032'852). In 2002, the total grant CHF 2'533'440 (USD 1'828'011) represented the initial installment, whereas the remaining installments are equally split over 9 years.

11. Other Income

CHF 186'275 (USD 138'460) was paid to WADA by the Norwegian television company TV2 at the request of NIF (The Norwegian Olympic Committee and Confederation of Sports) from the settlement reached for TV2's airing of a programme that wrongly stated, that plasma transfusions took place at the Lillehammer Winter Games. The monies were paid to WADA to help assist it with its world wide fight against doping in sport as an off set to any damage that may have been caused to the international anti doping fight by the programme.

CHF 34'685 (USD 25'782) was received from the United States Olympic Committee (USOC) for WADA's participation in their Track and Field Investigation in 2002. The monies were actually paid in the form of the USOC organising and paying for WADA's Symposium on mis-testing.

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

12. Staff costs

	2003 USD	2002 USD	2003 CHF	2002 CHF
Salaries	2'194'040	1'508'752	2'951'725	2'090'980
Social Charges and other benefits	1'884'995	779'594	2'535'956	1'080'438
Defined benefit plan pension contributions	71'041	43'843	95'574	60'762
Temporary staff	55'251	-	74'331	-
Recruitment expenses	54'322	192'080	73'082	266'204
Total staff costs	4'259'649	2'524'269	5'730'668	3'498'384

The number of persons employed was 42 at the end of 2003 (2002: 32).

Retirement benefit obligation

Most of WADA's employees are located at its Montreal head quarters. WADA grants all of its employees a predefined proportion of each employee's salary as a contribution to their pension plan. Considering that WADA has no further obligation once payments are made, these costs are considered as fringe benefits and are included in salaries and other personal costs in the statement of activities in the period they are incurred. The retirement obligations for WADA's employees in Tokyo are met by the Japanese Government. For WADA's employees in Switzerland, the retirement obligations qualify as a defined benefit plan. It is funded by contributions from WADA and the respective employees to a financially independent trust. No actuarial calculations have been performed for reason of materiality.

13. Research Grants

	2003 USD	2002 USD	2003 CHF	2002 CHF
Research Grants expensed	1'174'160	2'456'895	1'579'641	3'405'010
Allocation to Research Fund	-	2'494'108	-	3'456'586
Reversal of Research Fund	(4'700'375)	-	(6'323'592)	-
Funded through Research Fund	-	(2'456'895)	-	(3'405'010)
Total Research Grants expense	(3'526'215)	2'494'108	(4'743'951)	3'456'586
Actual Paid Out				
Research Grants expensed	1'174'160	2'456'895	1'579'641	3'405'010
Prepaid (movement)	1'169'218	-	1'572'994	-
Accruals (movement)	(242'000)	-	(325'572)	-
Total Paid Out	2'101'378	2'456'895	2'827'063	3'405'010

World Anti-Doping Agency

Notes to the financial statements 2003 and 2002

14. Related party transactions

Transactions with Public Authorities and other organizations including the Olympic Movement are disclosed separately in these financial statements. The Foundation Board Members, the President and the Executive Board of WADA are not remunerated by the Foundation. However, WADA covers all expenses related to the execution of their functions, in particular travel, hotel and meal expenses and a daily allowance for out-of-pocket expenses. These costs are included in travel and accommodation costs in the statement of activities.

15. Commitments

The future minimum lease payments payable under non-cancelable operating leases are as follows:

Operating lease commitments	2003 USD	2002 USD	2003 CHF	2002 CHF
Less than one year	1'032'434	1'110'834	1'288'446	1'532'506
More than one year and less than five years	1'686'588	2'220'972	2'104'811	3'064'053
More than five years	1'623'503	2'029'378	2'026'082	2'799'730
	<u>4'342'525</u>	<u>5'361'184</u>	<u>5'419'339</u>	<u>7'396'289</u>

The above commitments are for the following:

Montreal Office lease to Feb 2012
Lausanne Office Lease 6 months notice
Tokyo Office Lease to Apr 2004
HP Technologie Lease to March 2005

Long-term project costs committed but not yet incurred at the end of the year are as follows:

Research commitments	2003 USD	2002 USD	2003 CHF	2002 CHF
Less than one year	1'833'539	-	2'288'201	-
More than one year and less than five years	1'187'523	-	1'481'993	-
More than five years	-	-	-	-
	<u>3'021'062</u>	<u>-</u>	<u>3'770'194</u>	<u>-</u>