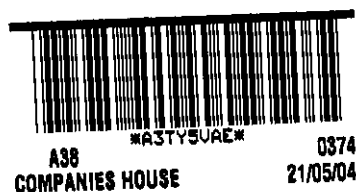


**ELECTORAL REFORM INTERNATIONAL SERVICES
LIMITED BY GUARANTEE
COMPANY LIMITED BY GUARANTEE
FINANCIAL STATEMENTS
FOR
31ST DECEMBER 2003**



A. I. COHEN & ASSOCIATES LIMITED
Chartered Accountants & Registered Auditors
61 Crowstone Road
Westcliff on Sea
Essex
SS0 8BG

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2003**

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**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 2003

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was election monitoring and the provision of training relating to election matters and the democratic process in countries outside the United Kingdom.

The company's balance sheet shows a satisfactory position, members' funds amounting to £292,569.

RESULTS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

DIRECTORS

The directors who served the company during the year were as follows:

Mrs J.F. Bradshaw
Rev D.M. Mason
Mr S.T. Osborn
Mr O. Thomas
Mr D. Harris
Mr D. Mathieson
Mr J. Turner

DIRECTORS' RESPONSIBILITIES

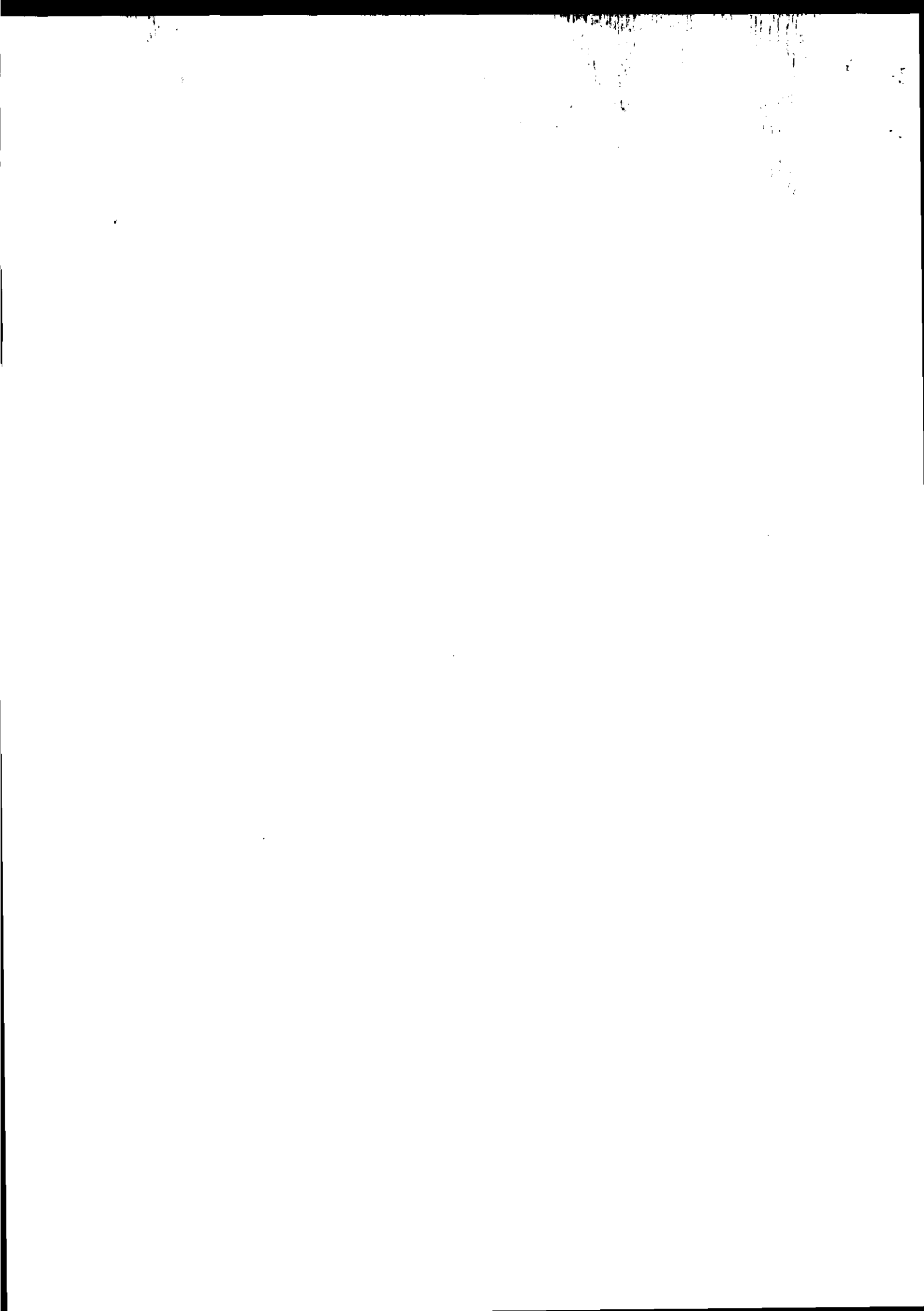
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 9, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

THE DIRECTORS' REPORT *(continued)*

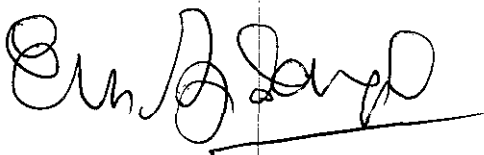
YEAR ENDED 31ST DECEMBER 2003

AUDITORS

A resolution to re-appoint A. I. Cohen & Associates Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
6 Chancel Street
London
SE1 0UU

Signed by order of the directors



ERIC SYDDIQUE
Company Secretary

Approved by the directors on 18th May 2004

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

YEAR ENDED 31ST DECEMBER 2003

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS *(continued)*

YEAR ENDED 31ST DECEMBER 2003

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

A. I. Cohen *As. Htd*

A. I. COHEN & ASSOCIATES LIMITED

Chartered Accountants

& Registered Auditors

61 Crowstone Road

Westcliff on Sea

Essex

SS0 8BG

19 May 2004

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 2003

	Note	2003 £	2002 £
TURNOVER	2	818,239	799,217
Cost of sales		<u>624,256</u>	<u>549,472</u>
GROSS PROFIT		193,983	249,745
Administrative expenses		<u>144,034</u>	<u>174,007</u>
OPERATING PROFIT	3	49,949	75,738
Interest receivable		<u>5,579</u>	<u>5,592</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		55,528	81,330
Tax on profit on ordinary activities	6	<u>11,834</u>	<u>20,376</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		43,694	60,954
Extraordinary items	7	(159,583)	—
Balance brought forward		<u>89,292</u>	<u>28,338</u>
Balance carried forward		<u>292,569</u>	<u>89,292</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

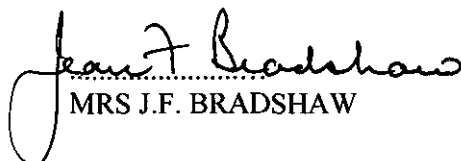
**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

BALANCE SHEET

31ST DECEMBER 2003

	Note	2003 £	2002 £	£
FIXED ASSETS				
Tangible assets	8		5,262	9,260
CURRENT ASSETS				
Debtors	9	330,139		50,193
Cash at bank and in hand	10	115,481		743,120
		<u>445,620</u>		<u>793,313</u>
CREDITORS: Amounts falling due within one year	11	<u>158,313</u>		<u>713,281</u>
NET CURRENT ASSETS			<u>287,307</u>	<u>80,032</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>292,569</u>	<u>89,292</u>
RESERVES	13			
Profit and loss account			<u>292,569</u>	<u>89,292</u>
MEMBERS' FUNDS			<u>292,569</u>	<u>89,292</u>

These financial statements were approved by the directors on the 18 May 2004 and are signed on their behalf by:


MRS J.F. BRADSHAW

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

CASH FLOW STATEMENT

YEAR ENDED 31ST DECEMBER 2003

	2003		2002
	£	£	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(743,601)	604,029
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	<u>5,579</u>		<u>5,592</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		5,579	5,592
TAXATION		(22,603)	(7,289)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets	<u>(843)</u>		<u>(13,805)</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(843)	(13,805)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(761,468)	588,527
FINANCING			
Cancellation of long-term amounts owed to associated undertakings	<u>159,583</u>		<u>—</u>
NET CASH INFLOW FROM FINANCING		159,583	—
(DECREASE)/INCREASE IN CASH		<u>(601,885)</u>	<u>588,527</u>

**RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW
FROM OPERATING ACTIVITIES**

	2003	2002
	£	£
Operating profit	49,949	75,738
Depreciation	4,841	8,026
(Increase)/decrease in debtors	(279,946)	44,834
(Decrease)/increase in creditors	(518,445)	475,431
Net cash (outflow)/inflow from operating activities	<u>(743,601)</u>	<u>604,029</u>

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

CASH FLOW STATEMENT *(continued)*

YEAR ENDED 31ST DECEMBER 2003

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £	2002 £
(Decrease)/Increase in cash in the period	<u>(601,885)</u>	<u>588,527</u>
Movement in net funds in the period	<u>(601,885)</u>	<u>588,527</u>
Net funds at 1 January 2003	<u>706,186</u>	<u>117,659</u>
Net funds at 31 December 2003	<u><u>104,301</u></u>	<u><u>706,186</u></u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2003 £	Cash flows £	At 31 Dec 2003 £
Net cash:			
Cash in hand and at bank	743,120	(627,639)	115,481
Overdrafts	<u>(36,934)</u>	<u>25,754</u>	<u>(11,180)</u>
	<u>706,186</u>	<u>(601,885)</u>	<u>104,301</u>
Net funds	<u><u>706,186</u></u>	<u><u>(601,885)</u></u>	<u><u>104,301</u></u>

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2003**

1. ACCOUNTING POLICIES**Basis of accounting**

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office equipment - 50% IT equipment and 25% remainder

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

	2003	2002
	£	£
United Kingdom	<u>818,239</u>	<u>799,217</u>

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2003**

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Directors' emoluments	38,000	40,000
Depreciation of owned fixed assets	4,841	8,026
Auditors' remuneration		
- as auditors	2,200	2,000
- for other services	3,516	2,950
Net profit on foreign currency translation	<u>(29,359)</u>	<u>(13,374)</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Number of management staff	<u>4</u>	<u>4</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	114,693	128,636
Social security costs	9,652	11,028
Other pension costs	6,405	6,434
	<u>130,750</u>	<u>146,098</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Emoluments receivable	38,000	40,000
Value of company pension contributions to money purchase schemes	2,660	2,590
	<u>40,660</u>	<u>42,590</u>

ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2003

5. DIRECTORS' EMOLUMENTS *(continued)*

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003	2002
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 20.75% (2002 - 24.59%)	11,888	20,391
Over/under provision in prior year	(54)	(15)
Total current tax	<u>11,834</u>	<u>20,376</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20.75% (2002 - 24.59%).

	2003	2002
	£	£
Profit on ordinary activities before taxation	<u>55,528</u>	<u>81,330</u>
Profit on ordinary activities multiplied by rate of tax	11,522	19,999
Depreciation for period in excess of capital allowances	366	392
Adjustments to tax charge in respect of previous periods	(54)	(15)
Total current tax (note 6(a))	<u>11,834</u>	<u>20,376</u>

7. EXTRAORDINARY ITEMS

	2003	2002
	£	£
Associated company loan cancelled	<u>(159,583)</u>	<u>-</u>

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2003**

8. TANGIBLE FIXED ASSETS

	Office Equipment £
COST	
At 1st January 2003	19,121
Additions	843
At 31st December 2003	<u><u>19,964</u></u>
DEPRECIATION	
At 1st January 2003	9,861
Charge for the year	4,841
At 31st December 2003	<u><u>14,702</u></u>
NET BOOK VALUE	
At 31st December 2003	<u><u>5,262</u></u>
At 31st December 2002	<u><u>9,260</u></u>

9. DEBTORS

	2003 £	2002 £
Trade debtors	327,535	44,593
Other debtors	2,500	5,600
Prepayments	104	—
	<u><u>330,139</u></u>	<u><u>50,193</u></u>

10. CASH AT BANK AND IN HAND

	2003 £	2002 £
Bank deposit account	10,472	175,750
Euro bank account	96,209	550,320
Dollar bank account	5,995	16,303
Cash in hand	2,805	747
	<u><u>115,481</u></u>	<u><u>743,120</u></u>

The Euro bank account holds monies received to cover expenses for an ongoing project which will last until July 2004.(see note11)

**ELECTORAL REFORM INTERNATIONAL SERVICES LIMITED
BY GUARANTEE
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2003

11. CREDITORS: Amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	11,180	36,934
Amounts owed to group undertakings	—	159,584
Other creditors including taxation:		
Corporation tax	9,622	20,391
Project deposits held	<u>49,868</u>	<u>469,043</u>
	59,490	489,434
Sundry creditors and accruals	<u>87,643</u>	<u>27,329</u>
	<u>158,313</u>	<u>713,281</u>

12. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

13. COMPANY LIMITED BY GUARANTEE

The Electoral Reform Society (Limited by Guarantee), a company registered in England, is deemed to be Guarantor of Electoral Reform International Services Limited.