

**WORLD SOCIETY FOR THE
PROTECTION OF ANIMALS**

CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2006

WORLD SOCIETY FOR THE PROTECTION OF ANIMALS

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Legal and administrative details

Governing instruments

The WSPA is registered with the Charity Commission as a charity, and with Companies House as a company limited by guarantee. The Society is governed by its Memorandum and Articles of Association.

Charity registration number: 1081849

Company registration number: 4029540

Trustees (who are directors for Companies Act purposes):
Mr R Cummings (USA)
Dr R Butcher
Mr V J Beauchamp
Mr T P Frost

Hon. Chief Executive: Mr P Davies

Principal office: 89 Albert Embankment
London
SE1 7TP

Charitable company secretary: Mr H Bennett

Investment managers: UBS Wealth Management (UK) Limited
1 Curzon Street
London
W1J 5UB

Bankers: The Co-operative Bank
62 - 64 Southampton Row
Holborn
London
WC1B 4ND

Solicitors: Thomas Eggar
76 Shoe Lane
London
EC4A 3JB

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Auditors:

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

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REPORT OF THE TRUSTEES

For the year ended 31 DECEMBER 2006

The trustees (who are directors for Companies Act purposes) present their report together with the financial statements of the World Society for the Protection of Animals (WSPA) for the year ended 31 December 2006. The financial statements have been prepared according to the accounting policies set out on pages 16 to 18 of the financial statements and comply with the current statutory requirements, the Memorandum and Articles of Association, applicable law and the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in April 2005.

Structure, Governance and Management

The WSPA is a company limited by guarantee and is a registered charity. It has been in existence for 25 years but has been registered in the UK since 4 August 2000 and was incorporated on 7 July 2000. Its governing instrument is its Memorandum and Articles of Association. Prior to this the WSPA operated in the UK as a branch of a not for profit charitable company registered in the District of Columbia, USA.

The board of trustees consists of at least three and not more than seven individuals. The board meets three times a year to review the performance of the charity and make any decisions necessary to its governance and strategic direction. There is also a sub committee (the Finance Committee) covering financial policy, review of the annual audit and accounts and investment policy. The Finance Committee comprises two of the trustees, a co-opted member with a background in banking, the Director General, the Deputy Director General and the Director of Finance. The committee meets three times a year to review the management accounts and performance in relation to the budget along with a balance sheet and cash flow statement. The risk register is regularly reviewed. At least once each year the investment managers attend a meeting to review the investments. The day-to-day management of the investments is administered by UBS Wealth Management, with whom the trustees are satisfied.

Peter Davies, the Honorary Chief Executive, is appointed by the trustees to manage the day-to-day operations of the charity with the Senior Management Team (SMT). The SMT consists of Tim Bowman: the Deputy Director General; Henry Bennett; Director of Finance and Facilities; Amanda Seller, Director of Marketing and Communications; Leah Garces, Director of Programmes and Philip Russell previously Director of Operations and now Director of Disaster Management.

The trustees who held office during the year and to the date of signing were as follows:

Mr R Cummings
Dr R Butcher
Mr T P Frost (Chairman)
Mr V J Beauchamp
Mr L Hawk (resigned 19 May 2006)

The trustees are also the members of the company.

The board continually reviews the skill requirements and performance of trustees. If new trustees are required the board and Chief Executive are asked to recommend suitable candidates which the remainder of the board should approve before inviting the individual to consider the position.

The induction process for any newly appointed trustee comprises an initial meeting with the Chief Executive and the board in order to brief them on the work of the WSPA. The induction pack includes a history of the charity, previous board minutes, prior year statutory accounts and global reviews, the Memorandum and Articles, current budgets and plans and guidance notes from the Charity Commission on the responsibilities and powers of trustees.

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The charity employs a team of staff in London, who travel around the world as required in order to carry out the global work of the WSPA. Weekly senior and middle management meetings take place to keep staff fully informed and involved in the running of the charity.

The WSPA in the UK is deemed to be the head office of a network of 12 other WSPA legal entities around the world. Ten of these are separate legal entities each with its own board of trustees but they all have a license to use the WSPA trade mark. The offices in Tanzania and Bangkok are branches of the UK entity.

Internal controls and risk management

The trustees have responsibility for ensuring that the charity has in place an appropriate system of controls, financial or otherwise, to provide reasonable assurance that the charity is operating efficiently and effectively. The systems of financial control were continually reviewed and improved where necessary during the period to provide reasonable assurance against material misstatement or loss.

In line with the recommendations of the Statement of Recommended Practice for Accounting and Reporting by Charities, the trustees have approved a risk management policy to assess business risk and implement risk management strategies. A process of identifying risks and development of a continuous programme of activities to monitor and mitigate risks has been undertaken and is regularly reviewed by the senior management team. This is reviewed annually by the Board.

This work entails:

- Clarifying management responsibility for the risks in each category
- Prioritising risks in terms of potential likelihood of occurrence
- Assessing risks in terms of their possible impact
- Assessing the types of risk and determining acceptable tolerance levels
- Adopting suitable counter measures to mitigate the risks

As the structure of the WSPA changes over the course of 2007 the risk management policy will be reviewed thoroughly.

Objectives, Activities and Performance

The WSPA's objectives are to prevent or suppress cruelty and to relieve the suffering of animals and to do all such lawful acts as the WSPA may consider to be conducive or incidental to the attainment of those objects.

The WSPA's vision is: "A world where animal welfare matters, and animal cruelty ends" and mission is: "To build a united global animal welfare movement."

The WSPA strives to:

- promote the protection of animals, prevent animal cruelty and relieve animal suffering in every part of the world
- promote humane education programmes to encourage respect for animals and lobby for laws and enforcement structures which will provide legal protection for animals
- promote cooperation between animal protection societies on an international scale

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The WSPA is the only animal welfare organisation to be a member of the International Council of Voluntary Organisations, a body linked directly to the UN Office for the Coordination of Humanitarian Affairs.

The WSPA also has observer status at the Council of Europe and is officially recognised by many leading international institutions, including:

- United Nations (UN)
- Convention on International Trade in Endangered Species (CITES)
- International Standards Organization (ISO)
- International Whaling Commission (IWC)
- International Council of Voluntary Organisations (ICVO)
- World Trade Organization (WTO)

The WSPA's five-year strategy focuses on the following four major priority areas of work within animal welfare:

- Companion Animals
- Commercial Exploitation of Wildlife
- Farm Animal Welfare
- Disaster Management

The WSPA's other major area of activity is Member Society Development. In all aspects of its work, the WSPA aims to collaborate with and support animal welfare groups through the WSPA Member Society Network. The Network has grown extensively over the last few years and is now the largest international alliance of animal welfare organisations in the world, with over 700 groups in 144 countries.

Member societies range from large national organisations, covering a range of welfare issues, to small specialist groups, working on specific problems. Over the last five decades the WSPA has implemented effective and sustainable animal welfare projects around the world by working with local groups, who have the skills and knowledge that are suited to their particular area.

Detailed plans for all areas were completed in the first quarter of 2006. These identify the aims of each individual project within the five priority areas of work and the pillars of work and objectives, both strategic and tactical.

Of specific note is the move from Disaster Relief to Disaster Management. Historically the WSPA has done solid work in the support of animals in disaster situations. This will continue through our Member Society network and our activity will extend to include prevention, response, and long-term management solutions. The WSPA is also extending its involvement at UN level, using opportunities to identify the importance of the human-animal link in sustainable development.

The charity provides funds to the WSPA work in Africa, Central Europe, the Middle East, Central and South America and South East Asia.

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Companion Animals

The WSPA's Companion Animal Programme seeks to address the suffering of companion animals, one of the most visible animal welfare issues and a primary concern of many WSPA member societies. The Companion Animal Programme is targeted towards four groups of animals: stray animals who endure persecution, disease and starvation across the globe; working equines forced to work despite malnutrition, injury and little or no veterinary care; pet animals who lack the basic requirements for a comfortable life; and companion animals that suffer during exploitation for commercial benefit.

There are an estimated 500 million stray and unwanted dogs in the world and a similar number of stray cats. Most live a sad existence. Diseases like rabies, distemper and parvo virus cause agonising deaths, painful skin infections and tumours which cause great suffering. Sadly, strays are often seen as vermin; cruel methods of stray control such as electrocution and poisoning are common in many countries. To stop this indiscriminate killing and to prevent the birth of thousands of unwanted puppies and kittens, the WSPA supported the sterilisation of more than 30,000 dogs and cats through projects run with its Member Societies in 2006.

Commercial exploitation of companion animals includes the breeding, farming and use of dogs, cats and equines for profit making which can involve high levels of cruelty and suffering. During 2006 the major focus was the alleviation of the suffering of dogs used for meat in Korea. Specific objectives within this aim included campaign bus tours of key Korean cities to provide the public with information and the production of action packs outlining the welfare issues affecting companion animals in Korea.

Rabies carried by stray dogs can also cause great fear in communities which very often leads to persecution of the animals by local authorities and local people. To combat this, nearly 42,000 dogs were vaccinated for rabies and treated by companion animal projects run by dedicated Member Societies.

Working equines often suffer from poor welfare due to malnutrition, dehydration, poorly fitting harnesses and rigs, over-loading, over-working and generally poor husbandry and veterinary care. The WSPA aims to improve the welfare of working equines by delivering both static and outreach programmes with vet components and educational animal health. We particularly focus on preventative interventions as many welfare problems are a direct result of poor husbandry due to a lack of knowledge and skills about animal care and ignorance regarding the economic benefit of improving welfare.

Nearly 240,000 working horses and donkeys were helped in Thailand, Mongolia, Afghanistan, Nicaragua, Argentina, Colombia and Uruguay. The WSPA's working equine projects not only improve the health, working ability and life spans of the animals, but are vital in supporting the livelihoods of their owners and families.

Commercial Exploitation of Wildlife

The WSPA wildlife programme seeks to address the suffering of wild animals as a result of commercial exploitation. Based on academic research commissioned by the WSPA, the Wildlife Programme targets three major areas of need: the inhumane killing of animals for meat or products, the suffering of animals captured for live trade and the welfare of animals kept in captivity, many institutions ignoring their physical, behavioural and physiological needs. The research projects identified priority wildlife welfare needs in Central and South America, Sub-Saharan Africa and South East Asia.

The WSPA seeks to address the cruel practices of shooting, snaring and spearing perpetuated by the trade in bushmeat in Africa and the killing of wild animals worldwide for use of their body parts in medicine, decoration, jewellery and clothing. The WSPA is already working on a programme in Kenya that targets the illegal trade in meat and will expand this through 2007.

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The WSPA seeks to deliver targeted and measurable programmes of work that aim to alleviate the suffering of wild animals in captivity and to improve their welfare. The main focus of this area of activity will be to continue the WSPA's historic engagement on zoos and, in doing so, improve the poor welfare conditions of animals kept in sub-standard and unsuitable facilities. Activities in 2006 involved working with the UK Natural History Museum, the Mayor of Limassol and Limmasol Zoo to develop the concept of an animal free zoo on a prime tourist site in Cyprus.

Libearty

The WSPA's Libearty Programme aims to achieve measurable improvements in bear welfare by preventing and eradicating the cruellest forms of bear exploitation globally. Currently the WSPA is in the process of completing a five year strategy which covers work on bears affected by bear bile farming and bears used for entertainment, in particular for dancing in Pakistan and India as well as bears used for 'baiting' or fighting and those kept in 'bear parks', or concrete pits, in Japan. In addition, the WSPA is working to improve its existing sanctuaries and address problems that arise when wild bears enter human communities.

One of the WSPA's objectives within Libearty is to end the farming of bears for their bile in Asia, particularly in China, Vietnam and South Korea. By the end of 2006, a WSPA initiative, to promote alternatives to bear bile and consequently reduce demand, resulted in more than 40 traditional medicine associations and universities worldwide committing to not promoting or using bile products. The WSPA also met with Chinese universities offering traditional medicine courses to identify further alternatives. This meeting has laid firm foundations for work that will continue throughout 2007.

By the end of the year, 18 European brown bears were living in freedom at a new WSPA-funded bear sanctuary set in 170 acres of Romanian woodland. The bears had been found living in appalling conditions in makeshift tourist attractions and circuses, by the WSPA's Romanian Member Society Millions of Friends, which had worked tirelessly with Romanian authorities for many months to arrange the bears' confiscation and release. Twenty more bears are expected to join the centre in 2007.

During the year research was made into bear-human conflicts with the aim of developing solutions in order to prevent the needless suffering of bears targeted as 'nuisance' or 'pest' bears.

Whalewatch

Whalewatch, a campaign led by the WSPA since 2002, works to oppose the resumption of commercial whaling and to achieve recognition of the inherent cruelty involved.

The objective for Whalewatch in 2006 was to maintain the International Whaling Commission (IWC) moratorium on commercial whaling for the foreseeable future by focusing on the severe welfare problems inherent in whaling activities.

Representing over 140 animal welfare organisations from more than 55 countries worldwide, *Whalewatch* worked hard at the 58th meeting of the IWC in June, to preserve the 20-year ban on commercial whaling. The ban is currently being challenged by pro-whaling nations including Iceland, Norway and Japan.

WSPA and *Whalewatch* lobbying also resulted in:

- Nicaragua stating, at a WSPA-facilitated government conference, that they would change their position and vote in favour of whale conservation at the 59th meeting of the IWC in May 2007
- The recruitment of Slovenia and Croatia to the IWC – representing two more pro-conservation votes within an international conservation treaty
- Increased pressure from Member Societies in the Caribbean to persuade Caribbean delegates to reverse their pro-whaling positions

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Farm Animal Welfare

The industrial rearing of farm animals has increased significantly over the last decade, indicating that the welfare of farm animals is a growing challenge. In 2003, according to United Nations statistics, around 3.9 billion mammals and 55 billion poultry were used globally to produce meat, milk and hens eggs. The objectives of the WSPA's Farm Animal Welfare (FAW) Programme are to develop a dynamic approach to this challenge, combining coalition building in Asia and Latin America, promoting humane alternatives through a centre of excellence and humane slaughter training. Achieving these objectives includes work to improve legislation and standards, build networks with member societies, create humane slaughter programmes and model farms in key countries. In particular, the programme will focus on China and Brazil over the next five years. The WSPA aims to achieve measurable improvements in farm animal welfare by influencing standards, practice, and understanding in Asia and Latin America.

The WSPA has chosen to concentrate its FAW Programme in Latin America and Asia for two reasons. Firstly, statistics show that these regions are set to be where industrial animal farming will be greatest globally. Secondly, while North America and Europe remain big producers, they do have well formed networks of non-governmental organisations dedicated to putting an end to factory farming. Legislation and awareness in this region is also relatively good. In contrast, the network of such organisations and the legislation and public awareness of the issue is weak in much of Asia and Latin America.

In 2006 humane slaughter training was provided for Regional Veterinary Inspectors in Java and Bali by means of training workshops, the aim being to develop an acceptance of, and respect for, the principles of animal welfare by demonstrating best practice in the area of humane slaughter.

To improve conditions for farm animals in Brazil and China, two of the world's biggest meat producing countries, the WSPA worked closely with the Oxford-based Food Animal Initiative (FAI) to develop model farms in these countries. FAI has developed reliable and cost-effective ways to humanely produce high quality meat and eggs appropriate to local conditions for chickens, pigs and cows. The model farms will work to improve animal welfare by providing training, inspiration and guidance to farmers involved in animal husbandry.

The model farm project was launched at China's largest industrial agriculture trade show in 2006 and practical work with a Chinese and Brazilian farming partner is expected to start in 2007.

Disaster Management

Disaster Management is conducted across four clearly identifiable areas; disaster risk reduction, preparedness, relief and recovery, which facilitates the delivery of precise, efficient and appropriate levels of advice, support and response. The WSPA works with governments, other NGOs and Member Societies to achieve this.

Once the immediate effects of disasters such as the Asian Tsunami have passed, the WSPA works with its Member Societies to help the longer term recovery of communities and their animals. The care and treatment provided helps stop the spread of diseases like rabies, humanely curbs stray dog and cat populations and extends the life spans of working animals.

Since the 2004 Tsunami, more than 15,500 dogs and 3,000 cats in the affected regions of Sri Lanka, Indonesia and Thailand have been sterilised in joint initiatives with Member Societies. A further 42,200 dogs, 2,500 cats and nearly 4,000 farm and wild animals have been vaccinated against disease.

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Disasters, ranging from floods to volcanic eruptions, affected animals throughout the world in 2006. When floods devastated a large number of Indian provinces in August, the WSPA and Member Societies including the Humane Society International provided relief. The Visakha Society for the Prevention of Cruelty to Animals and the Animal Help Foundation were given financial support to fund teams of vets to care for animals in the region, and within two months more than 40,000 animals – mostly cattle – were treated. Food, water and temporary shelter were also provided.

Emergency relief given to other areas in 2006 included:

- Providing food and veterinary supplies for Member Societies in Romania and Serbia during severe flooding in April
- The rescue and treatment of 400 cattle, 200 pigs and 150 dogs affected by the Tungurahua Volcano in Ecuador in August
- Funding for damaged Lebanese and Israeli animal shelters during the recent conflict.

Advance preparation for disasters can lessen impact on communities by limiting deaths, injury and the spread of disease. The WSPA offers expertise in how to plan to minimise these effects. In 2006, when Indonesia's Mount Merapi threatened to erupt, the WSPA and the Humane Society International provided a disaster assessment response team and developed a livestock evacuation plan with Member Societies, ProFauna and Yudisthira. Plans were developed to move the animals out of harm's way; create temporary livestock camps and supply veterinary support and emergency food.

The WSPA is now moving its disaster management programme forward through the United Nations, where we aim to establish animal welfare on the broader humanitarian disaster management agenda.

Member Society Development

Through its Member Society Network, the WSPA seeks to build a powerful, global voice to set animal welfare firmly on the international agenda, campaign against animal cruelty and reach out globally to raise the standard of animal welfare. These goals require animal welfare societies to work together to lend weight to campaigns and deliver best-practice animal welfare work. The WSPA provides support to animal welfare societies that sit within the WSPA network. To underpin this, the WSPA aspires to build a strong Member Society Network that will reach out globally to create a world where animal welfare matters and animal cruelty ends.

The WSPA continues to increase its membership to encompass more of the animal protection movement, delivering targeted support for developing organisations, hard-hitting international campaigns, cohesion and communication throughout the animal protection community.

In 2006, 147 new member societies were recruited to the member society network. These included our first member societies in the following seven new countries: Mali, Morocco, Oman, Syria, Tunisia, Vanuatu and Zambia.

In September the Member Society Manual was completed and distributed to the member societies, resulting in very positive feedback. The manual covers animal protection issues, ways of tackling an issue, tools for running an animal protection society and essential skills for protectionists.

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The small grant programme ran very successfully in 2006 with a total spend of £170,000, all of which was spent on 60 grants to groups in Europe, Africa, the Middle East, Asia, the Pacific, the US and Latin America. The grants funded a wide variety of items and work including: vehicles, computer and office equipment, veterinary and animal handling equipment, research projects, education and campaign materials and programmes.

In June the WSPA held a Global Animal Welfare Symposium bringing together animal protectionists from around the world to unite the animal welfare movement and to focus energies for the future. The Symposium was attended by 370 delegates from 184 member societies. The WSPA sponsored 35 member society delegates to attend and another 38 delegates were sponsored by other member societies and companies. These sponsorships ensured that the symposium was a truly global meeting by allowing the attendance of groups who could not have afforded to attend otherwise.

As well as these five priority areas the WSPA covered the following areas of work:

Education

Education is a key component of the WSPA's animal welfare programmes and underpins all aspects of its work; it is an essential remedy to prevent and counter cruel practices against animals. Furthermore, by raising awareness about animal welfare, future sustainability of food production and therefore the protection of livelihoods in certain areas can be improved as well.

The WSPA Education Programme is a mix of learning activities that cover school-based education, agricultural vocational training, and tertiary level education in the form of professional training for veterinarians. Other informal or community-based education activities are to be delivered by member societies with support from the WSPA.

Universal Declaration for Animal Welfare

The Universal Declaration for Animal Welfare (UDAW) aims to achieve recognition of sentient animals, those that are capable of feeling pain and suffering, and of animal welfare as an issue of importance as part of the social development of nations worldwide. The WSPA seeks to have the declaration agreed by a critical mass of governments. It is hoped that the UDAW will eventually be adopted at a Ministerial Conference in New York. The UDAW will then be taken forward for endorsement by the United Nations. This year marked a major step forward with this initiative.

Grant Making Policy

The WSPA seeks to achieve its objectives through partnerships with member societies and other organisations around the world. The WSPA offers funding to aid the development of member societies and to support projects, run by member societies and others, which fulfil the WSPA's animal welfare objectives. A new grant-making system is being piloted in 2007 which will introduce new procedures, methods and documentation.

Fundraising

The main focus for the UK fundraising office in 2006 was new donor recruitment. This is in order to meet the ambitious target of doubling income from regular givers by 2010, as set out in WSPA's 2005-2010 strategic plan.

Significant investment was committed to Direct Response Television advertising (DRTV) during 2006, as it has proven to be a reliable and cost effective way of recruiting long-term supporters to WSPA. DRTV has been the mainstay of WSPA's acquisition strategy for the last 4 years recruiting over 22,500 new supporters to date.

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Online advertising was successfully introduced during the year and became a strong source of new regular giving recruits. This has added a different demographic of donor to WSPA's supporter base. After the initial testing period, considerable investment was made in both online banner advertising and affiliate programmes. This channel is expected to be of increasing importance in the fundraising mix during 2007.

New donors have also been recruited to WSPA via traditional methods of press advertising and direct mail (reciprocal and cold lists).

Clearly communicating the impact donors have on the lives of animals and providing exceptional supporter care were key objectives for the year. A revamped newsletter was produced and a donor charter compiled to guide and shape all supporter care and fundraising communications. Net income and retention have been increased by ensuring donors receive personalised, relevant and appropriate fundraising requests and communications.

Legacy marketing has consisted of three main elements. Firstly, maintaining a consistent presence in supporter communications to highlight the need for legacies and to emphasize the impact such gifts can have on animal welfare. Secondly, targeting solicitors who advise people when writing their wills; and thirdly supporting the UK legacy Promotion Campaign run by the Institute of Fundraising.

Project Funding income grew in excess of the budgeted 40% due to two large trust donations. This was despite the loss of HBOS, WSPA's biggest commercial donor, who sold their interest in affinity credit cards to MBNA resulting in a substantial loss of income.

The plans for Regional and Volunteer fundraising during 2006 were to focus on WSPA's existing valued supporters with the aim of encouraging at least 1,000 supporters to take part in some kind of fundraising activity. Fundraising products developed in 2006 included Name that Bear, Charity Challenges, marathons and fun runs.

Plans for 2007 remained focused on expanding WSPA's UK donorbase by continuing to invest in acquisition activity – particularly DRTV and online advertising. Email communication and web presence will become an increasing important as new supporters are recruited through digital media.

Volunteers

Over the year approximately 30 volunteers contributed to 200 days worth of office administration duties. A large number of additional volunteers, the time contributed or value of which is impossible to reflect in these financial statements is donated by approximately 200 fundraising volunteers.

Financial Review

Review of 2006

2006 has been another year of strong growth for the WSPA. Net income available for charitable application increased by 51% as compared to 2005. Total incoming resources increased by nearly £5 million from £9.6 million to £14.5 million. £2.3 million of this increase of nearly £5 million came from other WSPA organisations overseas. Voluntary donations from UK appeals increased by £1 million, or 19.5%. Legacy income increased by 32.6%.

Corporate and trust donations increased by nearly £1 million. This increase was mainly due to a grant of £632,000 from a large trust to fund our campaigns and projects which aim to end bear bile farming in Asia. The donor has committed to similar payments in 2007 and 2008 subject to certain milestones being achieved towards meeting the overall objective.

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Expenditure on charitable activities has increased by 27% from £8.3 million in 2005 to £10.5 million in 2006. Notes 5 to 7 explain in more detail the programmes of work and regions of the world in which this work was carried out.

Restricted funds carried forward fell marginally (by £51,000) in the year but unrestricted funds increased by £2.5 million.

The trading subsidiary income reduced from £22,000 in 2005 to £9,000 in 2006 due to ceasing trading activity through the Webb Ivory catalogue.

Reserves policy

Reserves are required in order to ensure the long-term viability of the WSPA against an unforeseen reduction in income or increase in expenditure and to ensure the continuity of committed programmes of work. The Finance Committee recommended to the Board that the WSPA maintains free reserves at a minimum level equivalent to: six months fixed overhead of the London office; six months fixed overhead of project offices fully funded by the WSPA; and three months fixed overhead of project offices jointly funded with other WSPA overseas offices.

At 31 December 2006 the WSPA's free available reserves were £5.0m (2005 - £2.9m) which is above the target range of £2.0m to £2.5m recommended in 2004. The trustees are aware of the need to bring reserves in line with the policy. The Board will charge the Finance Committee with a review of the reserves policy in the second half of 2007 to reflect the changed circumstances of the WSPA as and when the Overseas affiliates are integrated (see "Plans for future periods" below).

Investment policy

It is the WSPA's policy not to invest in companies which are directly engaged in experimentation on animals. In particular, the WSPA will not invest in certain pharmaceutical companies.

The investment portfolio performed marginally better than the stock market overall in 2006 and showed a gain of £67,000 (£19,000 realised and £48,000 unrealised).

Plans for future periods

Post Balance Sheet Events

The trustees are proposing to unify the overseas WSPA affiliates under the UK legal entity. Where local laws allow, the intention is for the UK legal entity to become the sole member of the overseas WSPA thus making it a subsidiary. The first stage of this process is planned to take place on 1 July 2007. The Board will be expanded to 14 trustees, most of whom are currently directors of the US legal entity. The international directors of the WSPA USA will become the trustees of the WSPA and at the same time the membership will be transferred to the UK company. An advisory Council will come into existence at the same date and this will have up to 35 members. Remaining overseas affiliates will be integrated during 2008 on either 1 January or 1 July.

During 2007 a review of the overall strategy of the organisation is to take place including the detailed development of individual strategies for the main areas of work. This will be completed by early 2008 and submitted to the board in March for approval.

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In each specific area of activity some of the key aims and objectives for 2007 are:

Companion Animals

The continuing aim is to bring an end to cruel stray control measures and the suffering of stray companion animals, through the introduction of humane and effective population management methods and a combination of comprehensive long-term programmes with significant WSPA input and smaller grant-funded local initiatives with member societies and authority partners. In order to do this methodologies will be developed to accurately assess baseline and consequent impact of stray animal management programmes on population dynamics and welfare. Technical advice will be provided to international bodies, governments and member societies on the humane management of dogs and cats.

With regard to the welfare of working equines, promoting good husbandry remains a priority through a comprehensive set of activities that include significant effort to improve the husbandry of the animals through education and training.

Commercial Exploitation of Wildlife

The development of easy-to-use bear product identification kits, pioneered by the WSPA in 2006, will help combat the cruel and unnecessary trade in bear products in the future. All species of bear found in bear farms are endangered – protected by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) – and the trade in their bile is usually illegal. Bear products have traditionally been hard to detect making any legislation hard to enforce. In 2007 the kits will be supplied to CITES enforcement staff worldwide for on-the-spot identification of products containing bear parts.

Farm Animal Welfare

The WSPA's Farm Animal Welfare Programme in 2007 seeks to continue to build partnerships in Latin America, Asia to improve animal welfare, and globally to raise awareness of long distance transport and trade issues.

The WSPA will continue to develop the Asian Coalition for Farm Animals and work towards setting up a similar coalition of Member Societies in South America. We will promote awareness of animal welfare in Brazil through a weekly broadcast radio show, and co-sponsor farm animal welfare conferences in Uruguay and Beijing.

Resource reports will be published and promoted into the links between intensive farming and poverty; into humane practical farming alternatives in South America; into the current state of farm animal welfare in Colombia; and we will conduct research into the environmental damage caused by intensive farming.

We are seeking in 2007 to sign MoUs with partners in China and Brazil to initiate development of model farm programmes in each country to act as practical centres of excellence for farmers, industry and governments in the two regions. The WSPA are also working to sign MoUs with the appropriate authorities in China and Brazil during the year to initiate development of pilot humane slaughter training programmes in each country.

The WSPA will continue to act as the secretariat for the Global Coalition to end the long distance transport of live animals for slaughter, seeking to complete work on the two year investigation and research into this worldwide trade, ready for publication by an external international academic publisher and public campaign in 2008. In partnership with the RSPCA, CIWF and Eurogroup we are working to ensure animal welfare issues are not ignored in trade negotiations in the EU and at the WTO.

WORLD SOCIETY FOR THE PROTECTION OF ANIMALS

REPORT OF THE TRUSTEES

For the year ended 31 DECEMBER 2006

Disaster Management

The WSPA believe that there is much more that could be done to improve on how the animal welfare community as a whole manages disasters both before and after they strike so as to be more effective. With that in mind the 2007 objectives have identified Disaster Management as a high priority programme and has appointed Philip Russell, previously our Director of Operations, to concentrate solely on this issue and provide the focus necessary to grow and properly develop this key area of work.

Specifically, in 2007, the WSPA plans to establish a network of professional disaster teams at strategic locations worldwide; these are likely to be based out of our Costa Rica, Africa and Asia Offices. Each team will include dedicated disaster response, reduction and preparedness staff who will conduct immediate assessments, support and coordinate the delivery and evaluation of field operations and train key member societies in preparedness activities in countries particularly vulnerable to disaster strikes. The WSPA is to run an in-house, one week technical training course in 2007 that will provide all team members with the knowledge and skills necessary to fulfil their respective roles.

Also in 2007, we plan to set-up a Disaster Operations Centre (DOC) in London that will monitor potential and actual disasters worldwide, share disaster-related information with the whole member society network in a timely manner and plan, manage and evaluate our work worldwide.

Member Society Development

The overall objective is to continue to provide support, advice and small grant funding to member societies to effect improvements in animal welfare within their respective countries. In order to do this the aim is to increase the size of the Member Society network to include over 900 societies worldwide. Promotion of the concept of organisational development within member societies will take place and tailored training to member societies on a wide variety of issues will be provided. The pilot grant funding scheme will be rolled out in seven regions, including a training programme delivered to HQ and regional office staff. An online library of resources for member societies including the design of a web resource centre will be implemented.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of WSPA for the purposes of company law) are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

WORLD SOCIETY FOR THE PROTECTION OF ANIMALS

REPORT OF THE TRUSTEES

For the year ended 31 DECEMBER 2006

STATEMENT OF TRUSTEES' RESPONSIBILITIES (CONTINUED)

The trustees' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



T Frost
Trustee

31 May 2007

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WORLD SOCIETY FOR THE PROTECTION OF ANIMALS

We have audited the group and parent charitable company financial statements (the "financial statements") of the World Society for the Protection of Animals for the year ended 31 December 2006 which comprise the principal accounting policies, the group statement of financial activities, the group and charitable company balance sheets, the group income and expenditure account, the group cash flow statement and notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable 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 charitable 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of the World Society for the Protection of Animals for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable 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 trustees' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF WORLD SOCIETY
FOR THE PROTECTION OF ANIMALS**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 31 December 2006 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended:
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements for the year ended 31 December 2006.

Grant Thornton UK LLP

**GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LONDON

4 June 2007

WORLD SOCIETY FOR THE PROTECTION OF ANIMALS

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value and in accordance with applicable United Kingdom accounting standards.

In preparing the financial statements, the group and charity follows best practice as set out in the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued in April 2005.

Certain prior year figures in the SOFA have been restated due to the implementation of SORP 2005. Expenditure items have been re-analysed, primarily due to the requirement for the allocation of support costs to charitable activities. These re-classifications have no impact on the total funds brought forward.

The principal accounting policies of the group and charity are set out below:

GROUP FINANCIAL STATEMENTS

These financial statements consolidate the results of the charity and its wholly owned trading subsidiary WSPA Trading Company Limited. A separate Statement of Financial Activities (SOFA) is not presented because the charity has taken advantage of the provisions of paragraph 304 of the SORP and Section 230 of the Companies Act 1985.

FIXED ASSET INVESTMENTS

Fixed asset investments are included at market value at the balance sheet date. Any gain/loss on revaluation is credited/charged to the SOFA.

TANGIBLE FIXED ASSETS

The cost of tangible fixed assets over £1,000 is written off by equal annual instalments over their expected useful lives as follows:

Improvements to leasehold property	10 years
Computer equipment	3 years
Office equipment	5 years

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful lives. The interest element of the leasing payments represents a constant proportion of the capital balance outstanding and is charged to the SOFA over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the SOFA on a straight-line basis over the lease term.

FUNDS ACCOUNTING

Funds held by the charity are:

Unrestricted funds - these are funds which can be used in accordance with the charitable objects and at the discretion of the trustees.

WORLD SOCIETY FOR THE PROTECTION OF ANIMALS

PRINCIPAL ACCOUNTING POLICIES

FUNDS ACCOUNTING (CONTINUED)

Restricted funds these are funds which can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Eberle expendable endowment funds this fund represents assets received from a legacy in 1991 which should, where possible be held permanently by the charity, principally as investments. Income arising on the endowment fund must be used for small animals which falls within the objects of the charity.

Ruth Whist permanent endowment this fund arises from a donation for animals in need. The capital of the fund cannot be spent and interest should be withdrawn annually for use at the discretion of WSPA's Director of Operations.

INCOMING RESOURCES

Appeals, donations, and member society subscriptions

Income from appeals, grants and member society subscriptions are included in incoming resources when they are receivable, except as follows:

- When donors specify that donations and grants given to the Society must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the Society becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

When donors specify that donations and grants are for particular restricted purposes which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

Legacies

Legacies are included when the Society is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

Grants

Revenue grants are credited as incoming resources when they are receivable provided that the conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Interest receivable

Interest is included when receivable by the charity.

Commercial trading activities

Income from commercial activities is included in the period in which the group is entitled to receipt.

WORLD SOCIETY FOR THE PROTECTION OF ANIMALS

PRINCIPAL ACCOUNTING POLICIES

RESOURCES EXPENDED AND BASIS OF COST ALLOCATION

Resources expended are included in the SOFA on an accruals basis, inclusive of any irrecoverable VAT which is included as part of the expenditure to which it relates.

The costs of generating funds comprise the costs associated with generating voluntary income, the costs of trading for fundraising purposes and the costs directly attributable to managing the investments as well as costs relating to educating and informing the public on animal welfare issues.

Charitable expenditure comprises those costs directly related to the objects of the WSPA. It includes both the costs which can be directly allocated to such activities and costs of an indirect nature necessary to support them. These costs are apportioned on an appropriate basis as set out in note 7.

Governance costs include those associated with meeting the constitutional and statutory requirements of the WSPA and include audit and legal fees linked to the strategic management of the WSPA.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are credited or charged to the SOFA.

GRANT MAKING POLICY

Grants payable are accounted for as expenditure in the year in which an irreversible binding commitment to make payment is entered into.

PENSIONS

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from the charity in an independently administered fund. The amount charged in the SOFA represents the contributions payable to the scheme in respect of the accounting period.

WORLD SOCIETY FOR THE PROTECTION OF ANIMALS

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 DECEMBER 2006

	Note	Unrestricted income funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2006 £'000	Total 2005 Restated £'000
Incoming resources						
Incoming resources from generated funds						
Voluntary income		11,874	2,140	334	14,348	9,418
Activities for generating funds	2	9	-	-	9	23
Investment income	3	158	31	-	189	179
Total incoming resources		12,041	2,171	334	14,546	9,620
Costs of generating funds						
Costs of generating voluntary income	4	1,042	-	-	1,042	696
Fundraising trading	2	2	-	-	2	7
Investment managers fees		6	-	-	6	7
Net incoming resources available for charitable application		10,991	2,171	334	13,496	8,910
Charitable activities						
Companion animals	5	1,642	338	-	1,980	1,757
Commercial exploitation of wildlife		1,701	1,425	-	3,126	2,639
Farm animal welfare		1,863	139	-	2,002	1,180
Disaster management		1,004	260	-	1,264	1,205
Member society development		2,102	60	-	2,162	1,534
Total charitable expenditure		8,312	2,222	-	10,534	8,315
Governance costs						
	8	234	-	-	234	177
		8,546	2,222	-	10,768	8,492
Net incoming resources before gains and losses						
Realised and unrealised gains/ (losses) on investment assets	9	2,445	(51)	334	2,728	418
		24	-	43	67	99
Net movement in funds		2,469	(51)	377	2,795	517
Fund balances brought forward		2,890	1,151	577	4,618	4,101
Fund balance carried forward		5,359	1,100	954	7,413	4,618

The statement of financial activities includes all gains and losses recognised in the year.

All the incoming resources and resources expended derive from continuing activities.

The accompanying accounting policies and notes form an integral part of these financial statements.

