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**Whale and Dolphin Conservation Society (Limited
by Guarantee)**

Trustees' report and consolidated
financial statements

Registered number 2737421

Registered charity number 1014705

Year ended 30 September 2003



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Report of the Chief Executive

Welcome to the WDCS, the Whale and Dolphin Conservation Society, 2002/2003 annual report.

I write this with Christmas rapidly approaching and 2004 just around the corner, promising another year of challenges and opportunities for the truly global organisation that WDCS has become.

It seems like it was only yesterday that I sat down to write last year's report, but that's a reflection of the pace of activity this year. Throughout its history WDCS, has been able to, and will continue to, change and adapt in order to develop our capabilities to meet the ever-increasing opportunities we encounter as one of the world's leading marine conservation organisations. We have achieved some remarkable successes in terms of cetacean conservation policy and our research continues to uncover incredible secrets about this fascinating group of animals. However we are constantly reminded that the threats to these creatures continue to grow and much remains for WDCS, and our supporters around the world, to achieve.

It has been in a spirit of cooperation that WDCS has continued this year to seek out partners, both institutional and as individuals, to work alongside in our quest to be the global voice for the protection and conservation of whales, dolphins and their environment. During the year we have maintained our position as a catalyst for conservation efforts globally. WDCS has continued to work closely with the Humane Society of the United States and the International Wildlife Coalition, especially in the forum of the International Whaling Commission (IWC). WDCS has also acted as the core contributor and coordinator for the engagement of the World Society for the Protection of Animals (WSPA) back into the international whaling debate. This is a significant step for this large partner organisation that will be able to reach a large number of people with our joint message. The results of this collaboration will be seen in a joint international campaign in 2004 when the issue of the welfare of whales will be high on the agenda for WDCS.

I would urge you to look to the WDCS series of websites (accessible from www.wdcs.org) for a full spectrum of WDCS achievements, but I would draw your attention to some of those noteworthy examples.

▪ Society highlights and future developments

It has been reinforced to me this year that WDCS's role is, at core, to help educate people about the intrinsic value of these remarkable creatures. During the year we have continued to develop this vital aspect of our work with some notable successes.

In January 2003, the WDCS-funded Omacha Foundation of Colombia began to work with the Selvando group of young Ticuna Indians on a brand new educational initiative. With Omacha's support, the Selvando group has been working with local schoolchildren to bring alive their rich cultural heritage and re-emphasize their relationship with their local aquatic environment and its many inhabitants, including river dolphins, giant otters and manatees. The group has also been forging strong links with local fishermen and has involved them in documenting the local aquatic flora and fauna. Both fishermen and local children have been spending time together engaged in art activities, singing traditional songs, mask-making and writing projects, including creating a booklet on river dolphins and the various myths and legends surrounding these animals. These activities are all designed to engender greater understanding and appreciation of their local environment and, in the case of the fishermen, to increase awareness of threats to river dolphins and other marine mammals, including bycatch, pollution and prey depletion.

It is often suggested to me that the whaling debate will be a long and protracted affair with intransigent governments in countries such as Japan unable to throw off the commercial benefits that whaling brings to those few people who are still willing to get rich through the slaughter of intelligent and sentient creatures. However, WDCS's experiences in Japan continue to encourage us that change is possible and will come from the general public rather than those in power who economically benefit from whaling. In September 2003, WDCS whale watch consultant and expert, Erich Hoyt, conducted a ten-day whale watch promotion tour of Japan. He visited several major cities and communities, promoting whale watching and WDCS's conservation objectives. The trip was extremely successful, *provoking much interest and awareness of the benefits of whale watching and other benign uses of cetaceans*, with young Japanese people displaying particular enthusiasm for his messages. WDCS believes its this same younger

Report of the Chief Executive (continued)

generation that are beginning to question their government's position on whaling and will one day challenge them from within Japan to change their policy of pillaging the sea.

WDCS supported conservation research in the field still remains a pillar of our work and in 2003 the discovery of a previously unknown blue whale feeding/nursing area in Chile by the WDCS-funded team, headed by Rodrigo Huckle-Gaete, was a remarkable achievement. The most outstanding conservation accomplishment of this project so far has been CONAMA's (National Environmental Commission - Chile) rapid and full acceptance of a proposal the team made for creating a Marine Protected Area (MPA) that covers this blue whale hotspot. By using blue whales as a flagship species, this most diverse and unique marine system will hopefully be fully protected in the near future, probably becoming the largest MPA in Chile.

WDCS, as the global voice, seeks to build upon our conservation, science and education base with advocacy work in the major conventions that represent opportunities to affect the protection of cetaceans.

At the World Parks Congress in South Africa in September 2003, WDCS co-chaired the Antarctic marine protected areas (MPAs) Workshop. The Workshop, attended by recognized Antarctic experts, focused on the Ross Sea as an important area in need of protection and made several recommendations including the promotion of increased protection in the Antarctic, and a call to establish mechanisms to collect vital information on areas of critical habitat and biodiversity hotspots with the goal of the establishment of effective MPAs. This builds on a major piece of work WDCS has undertaken on Marine Protected Areas which we shall be publishing during the coming year.

WDCS is committed to the prevention of the resumption of commercial whaling, and the eradication of international trade in whale meat. We are also campaigning to protect dolphin species from capture and international trade for the captivity industry that continues to significantly impact individual animals and populations.

At the 12th meeting of the conference of the parties to CITES, the Convention on international Trade in Endangered Species of wild Fauna and Flora, WDCS helped persuade the parties to reject a proposal from Norway and Japan to resume international commercial trade in two whale species. WDCS took forward the culmination of a six-year campaign to persuade the parties to set zero quotas for trade in bottlenose dolphins from the Black Sea, which were threatened by international trade for the captivity industry.

As a result of WDCS's work and that of our partners and colleagues, the international trade in meat and blubber from minke and bryde's whales remains prohibited and the ban imposed by CITES on trade in all great whales species remains intact and bottlenose dolphins from the Black Sea are safe from at least one of the threats they face in the wild - capture for public display.

▪ Fundraising highlights

The financial year 2002/2003 has seen steady growth in our income generation. The surplus that the department makes for the organisation to fund its policy work has grown significantly over the year (it should be noted that these results constitute one part of a continuing trend of growth and sustainability over recent years). As well as maintaining growth, there has been significant investment in long-term marketing programmes and more resources have been committed to diversifying the Society's main streams of income. The team responsible for Marketing and Communications are increasingly meeting the needs of WDCS today, whilst ensuring that we maintain the capability to enable us to plan ahead to meet our future objectives more effectively. A major part of our ongoing growth and sustainability is provided through our committed giving programme (direct debits, gift aid), which saves administrative costs and provides value and dependability over the long term. During the financial year our monthly direct debit claim improved by £37,000 per month.

Our increased turnover and profit is due in part to the success of our Adopt a Dolphin television advertising. This has enabled us to reach a larger and more diverse audience than ever before, and the people responding to this advert have boosted our database and monthly income significantly.

Report of the Chief Executive (continued)

Alongside increased direct marketing activity, we have invested resources into corporate, trust and legacy fundraising. Such types of income are very cost efficient and in the future will help to provide the bedrock of our income generation alongside our highly successful direct marketing programme. Income generation of this kind is long term by nature, never the less there have been some terrific short-term results. For example, The Countryside Council for Wales have committed £40,000 over three years for our research work on Bardsey Island, Wales, and Scottish Natural Heritage have committed £27,000 over three years for our Education Officer based at the Moray Firth Wildlife Centre in Scotland. In corporate fundraising HBOS deserve a special mention for the ongoing support they have given WDCS through the affinity MasterCard and significant associated fundraising activity such as a gala dinner and staff fundraising.

WDCS's travel wing, "Out of the Blue", made an annual turnover of £200,000 during 2003, directly benefiting conservation projects and supporting local communities. In turn, these communities are more likely to preserve their own environment if it can be financially viable to do so.

The Marketing and Communications departments do not only raise money. Fundraising is just one aspect of our Marketing and Communications work, which incorporates education, outreach, awareness raising initiatives and community activity. Such work, builds income, involves supporters and the public and helps WDCS to meet its objectives.

The team have also been involved with the nascent WDCS offices in Australia, Germany and America, providing resources and consultancy. If WDCS is to be truly effective then these offices will be absolutely crucial in enabling us to raise funds and meet our objectives, globally.

▪ WDCS – the global voice

Whilst we have maintained our presence through our wide range of international campaigns and conservation research, we have also taken the opportunity this year to consolidate our position in Germany, Australia, Scotland and elsewhere in the UK.

As noted above, in Scotland, a major grant from Scottish Natural Heritage has helped fund an Education Officer, based at the WDCS Moray Firth Wildlife Centre. In June we welcomed aboard Kelvin Murray (a volunteer speaker for WDCS for over 6 years) who brings a wealth of knowledge and incredible enthusiasm to the job.

Visitor numbers to the Centre are up again in 2003, reflecting the continued investment by WDCS and the increased activities of WDCS in Scotland. Whilst being a base for volunteers and staff to continue shore-based observations of the resident population of bottlenose dolphins, WDCS has also continued its long-term study of these same dolphins with Aberdeen University. This partnership of University, public, staff and volunteers has enabled us to ensure that the appropriate conservation management plans are enacted for the dolphins and other cetacean species in the Moray Firth.

It is here that we should say a thank you to the many volunteers that WDCS is lucky enough to attract. The volunteers at the various offices, our trustees, WDCS speakers and local groups, and those based at the Wildlife Centre are an integral part of what WDCS is and will become.

WDCS is pleased to report the formal incorporation of WDCS in Australia and the recruitment of four members of staff. Headed up by Margi Prideaux our Executive Director, the team have been making substantial progress on Australian domestic cetacean conservation issues and are already an integral part of the WDCS international family of organisations.

Germany is now a vibrant and full member of the WDCS international community of organisations. With a strengthened income structure WDCS Germany was this year able to play host to the WDCS's anti-whaling campaign team when they visited Berlin for the annual meeting of the International Whaling Commission. WDCS

Report of the Chief Executive (continued)

Germany's standing was underlined with the joint publication with the German Government of a whale-watching guide to Europe amongst its increasing number of outputs during the year.

The Future

WDCS remains committed to being at the forefront of cetacean conservation around the world. Being the global voice for cetaceans and their environment, we must ensure that our message of compassion and protection for these remarkable creatures reaches further and further around the world. WDCS will continue to cooperate with like-minded groups and individuals, and where necessary, we shall establish a base of operations in order to muster the increased resources of people and support needed to fulfil our charitable mandate.

In the next couple of years, WDCS shall seek to consolidate our international position and influence, building the firm foundations to create an organisation able to speak for those many people around the globe that believe that these remarkable creatures are an important part of our natural heritage and deserving of our efforts to create a positive shared future.

Signed



Chris Butler-Stroud
Chief Executive

1 April 2004

Review of financial results

The growth in income continued during the year, with total income growing by 17%, with all supporter schemes income increasing. Legacy income for the year was lower than previous results, however WDCS has a policy of not including such income in budgets until it is notified.

Due to the improved performance of WDCS Germany, the provision for intercompany debt previously included has been removed, resulting in an increase of £60,000 in Other Income.

We anticipated a deficit for the year. An opportunity for new income sources via television advertising arose during the year and results so far of this medium term project have been above expectations. Despite this investment, we are starting to see improved ratios as a result of the committed giving programmes. Over 80% of our supporters now donate via monthly direct debit, which provides a stable financial base for new initiatives.

This can be seen in the increase in the amount available for charitable expenditure, which was up 62% on the previous year. Management and administration costs were reduced and unrecoverable VAT was managed to maintain a similar loss in this area to the previous year.

At 30 September 2003 WDCS had a total fund balance of £243,000, of which £37,000 is restricted funds. The trustees have agreed a reserves policy during the year and at 30 September 2003 overall reserves were within the agreed guidelines. Plans are in place to increase the levels of reserves during 2003/4 as appropriate.

Signed


Sian Davies Hamilton
Director of Finance

1 April 2004

Report of the trustees

The trustees, who are also directors of the charity for the purposes of the Companies Act, present their report and the audited financial statements for the year ended 30 September 2003. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities.

The trustees are also the members of the charity.

Whale and Dolphin Conservation Society (WDCS) is a charitable company limited by guarantee (charity number 1014705) and was set up in August 1992. It is governed by a memorandum and articles of association. WDCS is an international charity dedicated to the protection of cetaceans (whales, dolphins and porpoises) and their environment. This is achieved through research, the funding of conservation projects, awareness campaigns and educational activities.

Review of activities and future developments

The statement of financial activities for the year is set out on page 12. A review of the financial results is given on page 5 with a commentary on the year's activities and achievements in the Chief Executive's report.

Subsidiaries

The charity has two wholly owned subsidiaries. The trading subsidiary, WDCS Trading Ltd., raises income through merchandise, licensing and lotteries. It gift aids all its taxable profits to the charity. WDCS Germany GmbH, a charitable company under German regulations, was founded to expand awareness of WDCS's work within Germany and German speaking EU countries.

The charity decided to further develop its presence in the southern hemisphere during the year, with the establishment of a charitable company in Australia. This move built on the work of consultants and staff members based in Australia and New Zealand. A significant investment allowed WDCS Australasia to establish itself as a charitable company with similar aims and objectives to the UK based charity. A decision was taken to follow up the appointment of a senior policy team with the recruitment of a fundraiser to expedite the move to create a sustainable entity in its own right. The initial investment has been to both cover extensive policy delivery and to allow for business and fundraising planning to ensure a well managed growth and development of WDCS Australasia.

Reserves

At the end of the year the group had reserves of £243,219 of which £37,122 represents restricted funds. The trustees have a policy of continually reviewing the reserves position, to ensure that it holds sufficient financial reserves to fund current commitments and future trading. Their objective is to maintain the level of reserves as appropriate to keep pace with the development of the Society. Reserves are held to cover cash flow fluctuations, provide emergency cover and to provide for unforeseen opportunities.

Governance and internal control

The charity is an incorporated legal entity limited by guarantee, the business of which is governed by a board of five trustees. Trustees are appointed by the board of trustees by a majority vote. Trustees serve for a three year period and may then be re-elected. The trustees meet four times a year to review the strategy and performance of the charity and to approve operating plans and budgets. Sub committees meet more frequently with senior management and report back to the full board.

Trustees' report *(continued)*

Company and charity 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 charity and of the surplus or deficit of the charity for that period. In preparing those financial statements, the trustees have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the charity and group will continue in operation.

The trustees have overall responsibility for ensuring that the charity has appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity 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 charity and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- The charity is operating efficiently and effectively;
- Its assets are safeguarded against unauthorised use or disposition;
- Proper records are maintained and financial information used within the charity or for publication is reliable;
- The charity complies with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- A strategic plan and an annual budget approved by the trustees;
- Regular consideration by the trustees of financial results, variance from budgets, non-financial performance indicators and benchmarking reviews;
- Delegation of authority and segregation of duties;
- Identification and management of risks.

The trustees have introduced a formal risk management process. This review is linked to the strategic plan. Systems have been developed to monitor and control these risks:

- Identifying the types of risk WDCS faces;
- Prioritising them in terms of potential impact and likelihood;
- Identifying means of mitigating the risks.

These risks and controls will be reviewed by the trustees on a regular basis.

Trustees' report *(continued)*

Volunteers

Volunteers are involved in many aspects of the charity's work, mainly fundraising, research and education. It is estimated that over 8,870 volunteer hours were provided during the year, which could be valued at £44,500. No value has been attributed to the volunteers work in the financial statements. WDCS has a programme of volunteer recruitment and management, to ensure that the skills of the volunteers are matched to the requirements of the organisation and that the most effective use is made of the time generously given by our volunteers.

Employees

Employees have been consulted on issues of concern to them by means of consultative meetings, staff meetings, and newsletters and have been kept informed on specific matters directly by management. A system of staff appraisal is in place.

Investment policy

The Trustees have chosen to invest some of the charity's reserves in ten year gilts. Regular performance reports are received and the investment is reviewed on a regular basis by the Board. Other funds available are held as cash. This policy is reviewed by the board.

Remuneration Committee

During the year the trustees established a remuneration committee of trustee representatives. The committee reviews salary and benefits of the CEO and senior staff and reports back to the main trustee board on a regular basis.

Grant making

WDCS invites applications for funding of cetacean research projects, using benign research techniques. Applications are submitted in a specific format and reviewed by a WDCS panel of staff and consultants. Projects are monitored on a regular basis and a final report is submitted for each project.

As grants awarded during the year did not exceed 5% of total resources expended, grant making is not material.

Legal and administrative information

Trustees

The trustees who held office during the year were as follows

Andrew Chivers (resigned May 2003)

John Gerard-Leigh (Chairman)

Claire Lyell

Johnny Reed

Percy Kelland

Countess of Antrim

The directors of the company constitute trustees for the purposes of the Charities Act 1993.

Trustees' report *(continued)*

Chief Executive

Chris Butler-Stroud

Registered office and principal office

Brookfield House, 38 St. Paul Street, Chippenham, Wiltshire, SN15 1LJ.

Auditors

KPMG LLP, 100 Temple Street, Bristol, BS1 6AG.

Investment Managers

Gerrard Ltd., 40-42 Queen Square, Bristol, BS1 4QP.

Bankers

The Co-operative Bank, 16 St. Stevens Street, Bristol, BS1 1JR.

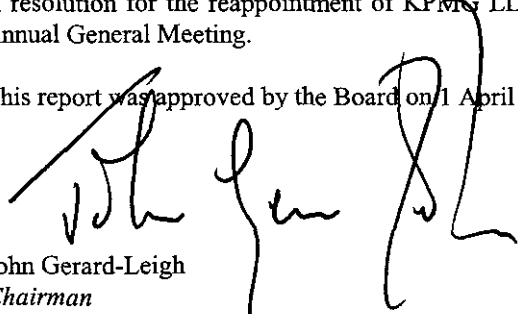
Solicitors

Withy King, 5-6 Northumberland Buildings, Queen Square, Bath, BA1 2JE.

Auditors

A resolution for the reappointment of KPMG LLP as auditors of the charity is to be proposed at the forthcoming Annual General Meeting.

This report was approved by the Board on 1 April 2004.


John Gerard-Leigh
Chairman

1 April 2004

Brookfield House
38 St. Paul Street
Chippenham
Wiltshire
SN15 1LJ



100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditor's report to the members of Whale and Dolphin Conservation Society (Limited by Guarantee)

We have audited the financial statements on pages 12 to 27 which have been prepared on the basis of the accounting policies set out on pages 15 to 17.

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 auditor's 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 trustees and auditors

As disclosed on page 8 the trustees are responsible for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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, or 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 group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 group's circumstances, consistently applied and adequately disclosed.

We planned 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group as at 30 September 2003 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

1 April 2004

Consolidated statement of financial activities (incorporating the income and expenditure account)

for the year ended 30 September 2003

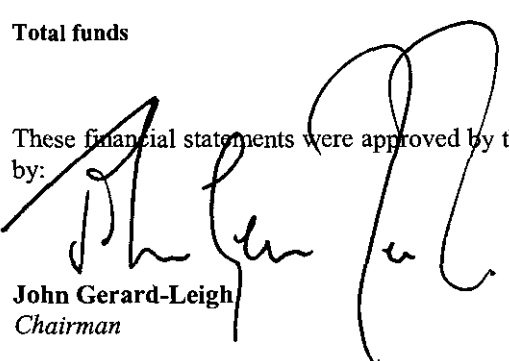
	Note	Unrestricted funds	Designated funds	Restricted funds	Total funds 2003	Total funds 2002
		£	£	£	£	£
Incoming resources						
Donations	3	847,033	-	47,978	895,011	870,645
Legacies	5	34,894	-	-	34,894	115,619
Activities in furtherance of the charity's objects:						
Membership		213,203	-	-	213,203	199,431
Adopt a Whale		186,210	-	-	186,210	140,036
Adopt a Dolphin		1,687,165	-	-	1,687,165	1,344,973
Activities for generating funds:	4					
Merchandising income		41,136	-	-	41,136	33,978
Investment income	7	12,491	-	-	12,491	6,937
Raffle income		72,800	-	-	72,800	78,612
Out of the Blue income		201,856	-	-	201,856	97,413
Other income		104,534	-	-	104,534	48,467
Total incoming resources		3,401,322	-	47,978	3,449,300	2,936,111
Resources expended						
Less cost of generating funds:	10					
Membership		62,348	-	-	62,348	66,660
Adopt a Whale		70,303	-	-	70,303	67,072
Adopt a Dolphin		883,070	-	-	883,070	791,710
Fund raising costs		481,537	-	-	481,537	500,409
Merchandising costs		23,002	-	-	23,002	17,683
Raffle costs		53,630	-	-	53,630	33,950
Out of the Blue costs		15,292	-	-	15,292	3,075
Costs of generating funds		1,589,182	-	-	1,589,182	1,480,559
Net incoming resources available for charitable application		1,812,140	-	47,978	1,860,118	1,455,552
Charitable expenditure:						
Costs of activities in furtherance of objects	10					
Conservation and campaigns		1,462,748	6,008	55,203	1,523,959	907,690
Information and education		214,502	-	-	214,502	166,578
Managing and administering	11	89,469	-	-	89,469	142,794
Unrecoverable VAT		110,379	-	-	110,379	109,174
		1,877,098	6,008	55,203	1,938,309	1,326,236
Total resources expended	10	3,466,280	6,008	55,203	3,527,491	2,806,795
Net (resources expended)/ incoming resources		(64,958)	(6,008)	(7,225)	(78,191)	129,316
Transfer between funds	21	(6,008)	6,008	-	-	-
Net movement in funds		(70,966)	-	(7,225)	(78,191)	129,316
Balances brought forward		277,063	-	44,347	321,410	192,094
Balances carried forward	21	206,097	-	37,122	243,219	321,410

All results arose from continuing operations. There were no recognised gains or losses for either financial period other than the results shown above.

Consolidated and charity balance sheets
at 30 September 2003

	<i>Note</i>	Group 2003 £	Group 2002 £	Charity 2003 £	Charity 2002 £
Fixed assets					
Tangible assets	15	55,497	48,147	55,496	48,147
Investments	17	50,000	50,000	67,357	67,357
		<u>105,497</u>	<u>98,147</u>	<u>122,853</u>	<u>115,504</u>
Current assets					
Stock	16	15,086	9,908	-	-
Debtors	18	164,949	240,289	233,427	360,352
Cash on deposit		25,622	90,000	25,622	90,000
Cash at bank and in hand		238,831	307,372	115,206	124,552
		<u>444,488</u>	<u>647,569</u>	<u>374,255</u>	<u>574,904</u>
Creditors: amounts falling due within one year	19	<u>(306,766)</u>	<u>(424,306)</u>	<u>(259,987)</u>	<u>(363,426)</u>
Net current assets		<u>137,722</u>	<u>223,263</u>	<u>114,268</u>	<u>211,478</u>
Net assets		<u>243,219</u>	<u>321,410</u>	<u>237,121</u>	<u>326,982</u>
Funds					
Unrestricted	21	206,097	277,063	199,999	282,635
Designated	21	-	-	-	-
Restricted	21	37,122	44,347	37,122	44,347
		<u>243,219</u>	<u>321,410</u>	<u>237,121</u>	<u>326,982</u>
Total funds	21	<u>243,219</u>	<u>321,410</u>	<u>237,121</u>	<u>326,982</u>

These financial statements were approved by the board of directors on 1 April 2004 and were signed on their behalf by:


John Gerard-Leigh
Chairman

Consolidated cash flow statement
at 30 September 2003

	2003 £	2002 £
Net cash (outflow)/ inflow from operating activities (note 24)	(103,968)	64,029
Capital expenditure and financial investments		
Payments to acquire tangible fixed assets	(28,951)	(31,947)
(Decrease) / increase in cash in the year	(132,919)	32,082

Reconciliation of net cash flow to movement in net funds

Net cash (decrease) / increase in year	(132,919)	32,082
Net funds at start of year	397,372	365,290
Net funds at end of year	264,453	397,372
Consisting of:		
Cash at bank and in hand	238,831	307,372
Cash on deposit	25,622	90,000
	264,453	397,372

Notes

(forming part of the financial statements)

1 Company status

The Whale and Dolphin Conservation Society is a company limited by guarantee, not having a share capital. The liability of the members in the event of winding up is limited to an amount not exceeding £1 per member. At 30 September 2003 there were 5 members.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention rules and in accordance with Statement of Recommended Practice "Accounting and Reporting by Charities", issued in October 2000, applicable accounting standards and the Companies Act 1985.

The directors consider that the consolidated statement of financial activities presented contains all the information of income and expenditure required by the Companies Act and is more appropriate to the activities of the company than the formats for profit and loss as laid down in the Companies Act 1985.

Basis of consolidation

The group accounts consolidate the accounts of the Whale and Dolphin Conservation Society (Limited by Guarantee) and its subsidiary undertakings on a line by line basis. The accounts are made up to 30 September 2003.

In accordance with Section 230(4) of the Companies Act 1985 the Whale and Dolphin Conservation Society (Limited by Guarantee) is exempt from the requirement to present its own profit and loss account.

The amount of the result for the financial period dealt with in the financial statements of subsidiaries is disclosed in note 6 to these accounts.

Investments

Investments in listed securities are stated in the balance sheet at their market value as at the balance sheet date. All movements in value arising from investment changes or revaluation are recognised in the Consolidated Statement of Financial Activities. Realised gains or losses on investments are calculated as the difference between the disposal proceeds and the balance sheet value. Unrealised gains or losses are derived from the movement on market values during the year.

Investment income is the amount receivable for the year, including recoverable tax.

Income

Donations, except in relation to legacies, are accounted for at the time of receipt at head office. Legacies are included in the Statement of Financial Activities where probate was granted prior to the balance sheet date and a distribution is considered probable.

Subscription and appeal income is allocated to the accounting period to which it relates. Other income is included in the financial statements according to its date of receipt.

Notes (continued)

2 Accounting policies (continued)

Income (continued)

Gifts in kind are recognised within donations in the year that they are received at a market value provided by the donor.

Fixed assets and depreciation

Depreciation is provided to write off the cost of tangible fixed assets over their estimated useful economic lives as follows:

Fixtures, fittings and equipment	-	20% straight line per annum
Computer equipment	-	25% straight line per annum

Expenditure

All expenditure is accounted for on an accruals basis.

Expenditure categories include support costs (wages and salaries, rent, rates, depreciation and sundry other) which are allocated based on staff numbers, head count or asset value as appropriate.

Charitable expenditure

This includes the direct costs of providing Out of the Blue holidays and has been classified in this manner on the advice of the Charity Commissioners.

Grant making

WDCS invites applications for funding of cetacean research projects, using benign research techniques. Applications are submitted in a specific format and reviewed by a WDCS panel of staff and consultants. Projects are monitored on a regular basis and a final report is submitted for each project. The liability for the grant is recognised at the point that the contract is signed and authorised by the Chief Executive. As grants awarded during the year did not exceed 5% of total resources expended, grant making is not material.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The society was registered as a charity in August 1992. Under s505 ICTA 1988 the charity is not subject to taxation on its charitable activities.

The profits of the non-charitable UK subsidiary are normally gift aided to the parent company any surplus remaining is subject to a taxation charge. The charge for taxation is based on the result for the year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not covered by the balance sheet date, except as otherwise required by FRS 19.

Leases

All leases entered into are operating leases. The rental charges are charged to the statement of financial activities on a straight line basis over the life of the lease.

Notes (continued)

2 Accounting policies (continued)

Pensions

The group contributes to individual personal pension schemes. The amount charged against income represents the contributions payable to the schemes in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of financial activities.

Fund accounting

The Charity has various types of funds for which it is responsible, and which require separate disclosure. These are as follows:

Restricted income funds

Donations or legacies which are earmarked by the donor for specific purposes. Such purposes are within the overall aims of the organisation. From these funds, the donation and income deriving therefrom may be utilised in accordance with the specific purposes.

Designated funds

Designated funds comprise unrestricted funds that have been set aside by the trustees for the particular purposes.

General funds

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

3 Donations and gifts

	2003	2002
	£	£
Individuals	830,509	800,738
Trusts	61,502	69,907
Gifts in kind	3,000	-
	895,011	870,645

The donations in 2002 included exceptional income of £96,295 in respect of a campaign to ensure maximum gift aid utilisation.

During the year, binoculars to the value of £3,000 were donated by Nikon for use in survey work.

4 Activities for generating funds:

	2003	2002
	£	£
Merchandising income	41,136	33,978
Raffle income	72,800	78,612
Out of the Blue income	201,856	97,413
Other income	104,534	48,467
	420,326	258,470

Notes (continued)

5 Legacies

9 legacies were received totalling £34,894 (2002: £115,619 in respect of 8 legacies).

6 Subsidiaries' income and costs

	WDCS Trading £	WDCS GmbH £	Total 2003 £	Total 2002 £
Merchandising income	40,316	820	41,136	33,978
Raffle income	72,800	-	72,800	78,612
Out of the Blue income	201,856	-	201,856	97,413
Adopt a Dolphin income	-	535,056	535,056	457,399
Other income	47,713	47,950	95,663	79,965
Total income	362,685	583,826	946,511	747,367
Cost of sales	22,583	419	23,002	17,683
Raffle expenditure	53,630	-	53,630	33,950
Out of the Blue expenditure	15,292	-	15,292	3,075
Adopt a Dolphin expenditure	-	418,950	418,950	394,778
Administration expenses	68,586	-	68,586	135,282
Charitable expenses	161,901	153,090	314,991	80,866
Total expenses	321,992	572,459	894,451	665,634
Surplus	40,693	11,367	52,060	81,733

7 Investment income

	2003 £	2002 £
Interest receivable	12,491	6,937

8 Other income

Other income of £104,534 (2002: £48,467) includes a release of a bad debt provision of £60,000 on the WDCS GmbH loan.

Notes (continued)

9 Current and deferred taxation

The company, which is a registered charity, is not liable to taxation on the net income from its primary activity. Stated below are the tax details of the subsidiary WDCS Trading Limited.

Factors affecting the tax charge for the current period

The current tax charge for the period differs from the standard rate of corporation tax in the UK (19%). The differences are explained below.

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	303	404
Current tax at 19% (2001: 20%)	57	81
Effects of: Deferred tax asset not recognised	(57)	(81)
Total current tax charge for period	-	-

10 Total resources expended

	Staff costs	Other direct costs	Total 2003	Total 2002
	£	£	£	£
<i>Costs of generating funds:</i>				
Membership	-	62,348	62,348	66,660
Adopt a Whale	-	70,303	70,303	67,072
Adopt a Dolphin	-	883,070	883,070	791,710
Fund raising costs	118,942	362,595	481,537	500,409
Merchandising costs	-	23,002	23,002	17,683
Raffle costs	-	53,630	53,630	33,950
Out of the Blue costs	1,628	13,664	15,292	3,075
Conservation and campaigns	211,452	1,312,507	1,523,959	907,690
Information and education	-	214,502	214,502	166,578
Management and administration	-	89,469	89,469	142,794
Unrecoverable VAT	-	110,379	110,379	109,174
	332,022	3,195,469	3,527,491	2,806,795

Notes (continued)

10 Total resources expended (continued)

Other direct costs include:

	2003	2002
	£	£
Auditor's remuneration:		
Audit fee – group	9,000	7,150
- company	6,500	5,913
Accountancy, taxation and other services	11,042	963
Operating lease rentals - land and buildings	46,292	39,400
- plant and equipment	21,264	14,036
Depreciation	21,601	12,629
	<u> </u>	<u> </u>

11 Administrative expenses

	2003	2002
	£	£
Printing, postage, stationery and advertising	11,076	7,991
Audit and accountancy	20,042	8,113
Legal and professional fees	3,122	3,720
Bank charges	3,555	2,993
Trustee meeting expenses	1,567	991
Office administration costs	44,927	113,461
Sundry costs	5,180	5,525
	<u> </u>	<u> </u>
	89,469	142,794
	<u> </u>	<u> </u>

12 Trustee remuneration

The trustees neither received or waived any emoluments in either year.

Out of pocket expenses were reimbursed to trustees as follows:

	2003	2002	2003	2002
	Number	Number	£	£
Travel	1	3	1,567	991
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

13 Staff costs

	2003 £	2002 £
Wages and salaries	623,990	498,955
Social security costs	56,753	47,648
Other pension costs (note 14)	21,860	19,016
	702,603	565,519

There were no employees whose emoluments for taxation purposes amounted to over £50,000 in either year.

The average number of employees, calculated on a full-time equivalent basis, analysed by function was:

	2003 No	2002 No
Charitable activities	16	13
Cost of generating funds	9	8
Management and administration of the charity	6	6
	31	27

14 Pension costs

The group contributes to a stakeholder pension scheme and other personal pension schemes. The charge for the year represents contributions payable by the group to such schemes and amounted to £21,860 (2002: £19,016).

Notes (continued)

15 Tangible fixed assets

Group and charity	Fixtures, fittings & equipment £	Computer equipment £	Total £
<i>Cost</i>			
At beginning of year	125,305	190,545	315,850
Additions	18,727	10,224	28,951
At 30 September 2003	144,032	200,769	344,801
<i>Depreciation</i>			
At beginning of year	105,533	162,170	267,703
Charge for year	8,775	12,826	21,601
At 30 September 2003	114,307	175,000	289,304
<i>Net book value</i>			
At 30 September 2003	29,726	25,771	55,497
At 30 September 2002	19,772	28,375	48,147

All assets are held for charitable purposes.

16 Stock

	Group 2003 £	Group 2002 £	Charity 2003 £	Charity 2002 £
Goods for resale	15,086	9,908	-	-

Notes (continued)

17 Fixed asset investments

	Group and company fixed interest securities £	Company's shares in subsidiaries £	Company Total £
<i>Cost/ valuation</i>			
At beginning and end of year	50,000	17,357	67,357

Subsidiary undertakings			
Name of subsidiary	Country of registration	Class of share	Proportion held
WDCS Trading Limited	England	Ordinary	100%
WDCS Germany GmbH	Germany	Ordinary	100%

18 Debtors

	Group 2003 £	Group 2002 £	Charity 2003 £	Charity 2002 £
Amounts falling due within one year				
Trade debtors	6,874	9,876	15,941	3,615
Other debtors	188	1,612	188	1,612
VAT	11,660	2,671	-	2,671
Amounts owed by subsidiary undertakings	-	-	67,837	83,336
Prepayments and other accrued income	146,227	226,130	73,503	219,118
	164,949	240,289	157,469	310,352
Amounts falling due after more than one year				
Loan to WDCS Trading Ltd	-	-	50,000	50,000
Loan to WDCS GmbH	-	-	25,958	-
Total	164,949	240,289	233,427	360,352

The WDCS Trading Limited loan is repayable on demand. However, WDCS have indicated that they will not seek repayment during the next year. The loan receives interest at 2% above the base rate of the Bank of England.

The WDCS GmbH loan is repayable on demand. However, WDCS have indicated that they will seek payments in phases over the next few years. The loan receives interest at 2% above the base rate of the Bank of England.

Notes (continued)

19 Creditors: amounts falling due within one year

	Group 2003 £	Group 2002 £	Charity 2003 £	Charity 2002 £
Trade creditors	86,595	131,359	76,041	124,748
Social security	-	13,216	-	13,216
VAT	882	1,546	882	-
Accruals and deferred income	219,289	278,185	183,064	225,462
	<u>306,766</u>	<u>424,306</u>	<u>259,987</u>	<u>363,426</u>

20 Financial commitments

	2003 Other £	2003 Land and buildings £	2002 Other £	2002 Land and buildings £
Expiry date				
Within one year	-	-	-	-
In the second to fifth year inclusive	21,264	46,292	14,036	39,400
	<u>21,264</u>	<u>46,292</u>	<u>14,036</u>	<u>39,400</u>

Notes (continued)

21 Statement of funds

Group	Balance at 1 October 2002 £	Income £	Expenditure £	Transfers £	Balance at 30 September 2003 £
General reserve	277,063	3,401,322	(3,466,280)	(6,008)	206,097
Designated funds	-	-	(6,008)	6,008	-
Total unrestricted funds	<u>277,063</u>	<u>3,401,322</u>	<u>(3,472,288)</u>	<u>-</u>	<u>206,097</u>
Restricted funds					
Faroe campaign	26,230	-	-	-	26,230
Harbour porpoise appeal	5,924	-	(2,039)	-	3,885
Right whale appeal	4,000	-	-	-	4,000
Keiko	3,007	-	-	-	3,007
Trusts	5,186	47,978	(53,164)	-	-
Total restricted funds	<u>44,347</u>	<u>47,978</u>	<u>(55,203)</u>	<u>-</u>	<u>37,122</u>
Total funds	<u>321,410</u>	<u>3,449,300</u>	<u>(3,527,491)</u>	<u>-</u>	<u>243,219</u>

Charity	Balance at 1 October 2002 £	Income £	Expenditure £	Transfers £	Balance at 30 September 2003 £
General reserve	282,635	2,495,200	(2,571,828)	(6,008)	199,999
Designated funds	-	-	(6,008)	6,008	-
Total unrestricted funds	<u>282,635</u>	<u>2,495,200</u>	<u>(2,577,836)</u>	<u>-</u>	<u>199,999</u>
Restricted funds					
Faroe campaign	26,230	-	-	-	26,230
Harbour porpoise appeal	5,924	-	(2,039)	-	3,885
Right whale appeal	4,000	-	-	-	4,000
Keiko	3,007	-	-	-	3,007
Trusts	5,186	47,978	(53,164)	-	-
Total restricted funds	<u>44,347</u>	<u>47,978</u>	<u>(55,203)</u>	<u>-</u>	<u>37,122</u>
Total funds	<u>326,982</u>	<u>2,543,178</u>	<u>(2,633,039)</u>	<u>-</u>	<u>237,121</u>

The designated fund was utilised during the year on a project in Mexico carrying out research on the Blue Whale.

Restricted funds are funds which have been given for particular purposes and projects.

Notes (continued)

22 Analysis of group net assets between funds

	Restricted funds	General funds	Total
	£	£	£
Fund balances at 30 September 2003 are represented by:			
Tangible fixed assets	-	55,497	55,497
Investments	-	50,000	50,000
Current assets	37,122	407,366	444,488
Current liabilities	-	(306,769)	(306,769)
Total net assets	37,122	206,094	243,216

23 Subsidiary companies

WDCS has two wholly owned subsidiaries WDCS Trading Ltd and WDCS Germany GmbH both of which are consolidated on a line by line basis. The results of both subsidiaries are summarised below.

Profit and loss account

	Trading 2003 £	GmbH 2003 £	Total 2003 £	Total 2002 £
Turnover	314,972	583,826	898,798	712,223
Cost of sales	(91,505)	(419)	(91,924)	(70,970)
Gross profit	223,467	583,407	806,874	641,255
Administration expenses	(65,698)	(418,950)	(484,648)	(495,389)
Other operating income	45,879	-	45,879	29,595
Operating profit	203,648	164,457	368,105	175,461
Interest payable	(2,889)	-	(2,889)	(3,019)
Interest receivable	1,834	-	1,834	1,904
Net profit before charitable spend and Gift aid	202,593	164,457	367,050	174,346
Gift aid	(40,389)	-	(40,389)	(53,877)
Charitable spend	(161,901)	(153,090)	(314,991)	(96,253)
Results before taxation	303	11,367	11,670	24,216
Taxation	-	-	-	-
Results retained in subsidiaries	303	11,367	11,670	24,216

Notes (continued)

23 Subsidiary companies (continued)

The assets and liabilities of the subsidiaries were:

	WDCS Trading 2003 £	GmbH 2003 £	Total 2003 £	Total 2002 £
Current assets	192,956	38,007	230,963	209,607
Creditors: amounts falling due within one year	(143,755)	(73,753)	(217,508)	(207,822)
Net current assets	49,201	(35,746)	13,455	1,785
Creditors: amounts falling due after more than one year	(50,000)	-	(50,000)	(50,000)
Net liabilities	(799)	(35,746)	(36,545)	(48,215)

24 Net cash (outflow)/inflow from operating activities

	2003 £	2002 £
Net (outgoing)/incoming resources	(78,191)	129,213
Depreciation	21,601	12,629
(Increase)/decrease in stocks	(5,178)	8,079
Decrease/(increase) in debtors	75,340	(190,705)
(Decrease)/increase in creditors	(117,540)	104,813
	(103,968)	64,029

25 Related parties

WDCS UK assisted with the set up of an Australian based charity during 2003. This consolidates the work WDCS and its consultants have carried out in the region.

The UK charity also launched an Australian Adopt a Dolphin project during the year, using information from and supporting research projects in Australia.

The funds spent in the region were:

	£
Fundraising related expenses	7,987
Administration costs	5,988
Charitable expenditure	114,473
	128,448