



THE BLUE CROSS

Britain's pet charity

FINANCIAL STATEMENTS

for the year ended
31 December 2008

The Blue Cross (Incorporating Our Dumb Friends' League)

A Company Limited by Guarantee No: 363197

Registered Charity No: 224392

Registered Charity in Scotland No: SC040154

10 AUG 2009

JB

Dup
224392

31-Dec-08

REPORT OF THE GOVERNORS

MISSION STATEMENT

To provide care, promote companionship and enhance animal and human lives.

PRINCIPAL OBJECTIVES AND ACTIVITIES OF THE BLUE CROSS

To encourage and promote kindness to, and the protection of, animals and to educate the public in responsible animal ownership.

BLUE CROSS GUIDING PRINCIPLES

The Blue Cross exists to:

- treat the animals of owners who cannot afford private veterinary services
- find permanent homes for unwanted or abandoned animals
- educate the public in responsible animal ownership
- promote the benefits to humans of companion animal ownership
- ensure that no healthy animal in its care is put to sleep simply for want of a home
- ensure that all engaged with the Blue Cross, whether animals or people, receive courteous, friendly and high quality service

STRATEGIC OBJECTIVES AND 2008 REVIEW

The Board is in the process of reviewing the long term vision for the Blue Cross and developing a new Strategic Plan to deliver that vision in a sustainable manner. The progress made against the current plan is set out below:

STRATEGIC OBJECTIVES	2008 REVIEW
Develop a more extensive volunteer network	2008 was a year of significant growth for our volunteer programme with over 1,000 registered volunteers who provided a total of over 114,000 hours to the charity in 2008, a 35% increase on 2007 supported by an expanded regional team, of Managers and Co-ordinators
Expand our education programmes	We reached 13,000 more children through our school visits and youth groups programme and distribute pet advice through 510,000 leaflets and downloads via our social network website www.allaboutpets.co.uk
Increase the number of Welfare Associates	We added one equine and one companion animal welfare charity during 2008 to bring the total number of Blue Cross Welfare Associates to twelve.

STRATEGIC OBJECTIVES	2008 REVIEW
Develop pet fostering as a Blue Cross service	We successfully fostered 110 animals in the first year of this initiative to care for those animals which are unsuited to a kennel environment.
Enhance The Blue Cross availability to clients and customers	We are building a fourth welfare clinic at our Southampton adoption centre and we helped a record number of pet owners across the UK through the provision of welfare grants
Develop a balanced and sustainable supporter base	We recruited 15,000 new supporters through a wide variety of media to help maintain the level of our supporter base and saw an increase in the number of online and direct debit regular givers.
Sustain and develop fundraising	We experienced increasingly challenging economic conditions in trying to achieve our 2008 fundraising target. Our network of shops continued to expand and we continue to look for new and more effective fundraising tools.
Expand the work of The Blue Cross veterinary services	Our animal hospitals helped treat 4,000 more animals than in 2007 and we provided veterinary care grants worth £344k to support the owners of 3,000 sick pets in 2008.
Enhance The Blue Cross equine operations	Our equine welfare department cared for, and rehomed, record numbers of horses and reached nearly 2,000 people through our new equine education programme
Build on our partnership with the Society for Companion Animal Studies	Our partnership with SCAS continued to be influential in the promotion of the human/animal bond and we are helping it to develop external sources of funding to support their future growth.

Capital Expenditure

Capital expenditure has increased this year with the purchase of more land at Burford, the start of the Thirsk redevelopment, completion of a refurbishment programme to provide new veterinary facilities at our Tiverton centre and the start of a major refurbishment programme to improve kennels and reception areas at our Southampton centre. We expect to complete these projects substantially in 2009 and they are included in the total cost of our major building plans for the next 5 years, forecast to be £9.6m (2007 - £13.1m).

ACHIEVEMENTS AND PERFORMANCE

Fundraising

Our voluntary and fundraising income in the year, including legacies totalled £22.7m (2007 - £23.8m).

Companion Animal Welfare

The demand for our services at our adoption centres was steady during the year, and we cared for 3,227 cats (2007 - 3,340), 2,588 dogs (2007 - 2,368) and 313 (2007 - 243) other domestic pets. 110 animals were rehomed through our new fostering outreach service in the North East of England.

We helped to support a total of 2,715 (2007 - 2,012) dogs, cats and other domestic animals through our Welfare Associate programme. The scheme provides modest funding, and access to our expertise, to nine selected small like-minded charities, thereby extending our welfare provision in a cost effective way. We formed new associations with Berwick Animal Rescue Kennels, Dumfries & Galloway Canine Rescue and Gozo SPCA in Malta during the year.

Our animal behaviour team conducted consultations and assessments face to face and by telephone or Email advice for 2,210 cases (2007 - 1,449)

Equine Welfare

Our equine welfare services expanded with a total of 631 (2007 - 560) horses under guardianship. In addition to 504 (2007 - 434) horses out on loan, a further 127 (2007 - 126) horses and ponies were cared for in our three equine centres, many of them undergoing rehabilitation prior to rehoming. We formed a new association with the Pony Club and our new Equine Education programme reached 1,955 people.

Veterinary Services

Our four animal hospitals carried out 100,131 consultations, diagnostic procedures and operations (2007 - 95,970) including 2,936 consultations at our mobile clinics in London (2007 - 1,673)

The Blue Cross Animal Welfare Grants Scheme gave £343k to 2,997 pet owners in need of financial help towards the cost of veterinary care for their animals (2007 - £90k to 1,154 pet owners).

Our adoption centre-based welfare clinics saw 1,392 animals for consultations (2007 - 1,378). A new clinic was opened at our Tiverton centre and redevelopment work at Southampton will provide an additional welfare clinic in 2009.

Education

The children's education programme continued to grow in the year 2008 and we spoke to 41,000 children (2007 - 28,000) in face to face talks in primary schools, pre-schools and youth groups around the country. The main messages during these talks are the needs of pets, keeping pets healthy and how to stay safe around animals particularly dogs. We also produced new resources for schools to help in citizenship lessons and new leaflet and poster on staying safe around dogs.

Our All About Pets advisory leaflets continued to be popular with nearly 510,000 (2007 - 600,000) leaflets distributed either in hard copy or downloaded through our new social network on the website www.allaboutpets.co.uk which has now signed up nearly 10,000 members

Subsidiary Companies

The Trading Company had a difficult year in 2008, due to the need to change its catalogue fulfilment house and increasingly difficult trading conditions. It donated its profit of £20k (2007 - £147k) by way of gift to the Charity and in addition donations received from supporters by the Trading Company and passed directly to the Charity amounted to £406k (2007 - £446k).

The Design & Build Company continued to oversee the management and cost effectiveness of major building projects on behalf of the Charity.

Connected Charities

The Irish Blue Cross

We continued to provide funding to our 'sister' charity in the Irish Republic including a grant towards the construction of a welfare clinic based in their freehold premises and support funding for their neutering programme. In line with our mutually agreed strategy for the Irish Blue Cross, we continue to encourage them to increase the proportion of their income received from other sources.

The Society for Companion Animal Studies (SCAS)

The Blue Cross partnership with SCAS continues to promote the benefits of the human-animal bond and supports their strategy to increase the proportion of external funding. The Pet Bereavement Support Service volunteers provided support and information to bereaved pet owners through responding to 3,927 phone calls (2007 - 5,807) and 596 Emails (2007 - 579).

Assisi Animal Charities Foundation

The Blue Cross, in conjunction with four other animal charities, continued to benefit from its association with Assisi, which promotes payroll giving for the benefit of all five charities.

Other Charities

We continue to promote, and practise, active cooperation with other major animal welfare charities for mutual benefit through shared knowledge of best practice and coordinated responses to animal welfare issues and proposed legislation.

FINANCIAL OUTCOME FOR THE YEAR

A summary of the results for the year and the resources deployed at 31 December 2008 is:

	2008	2007
	£'000	£'000
Operating Income	11,279	11,331
Legacy Income	12,989	14,063
	<u>24,268</u>	<u>25,394</u>
Expenditure	<u>(25,728)</u>	<u>(21,580)</u>
Net (loss)/Income for the year	(1,460)	3,814
Realised (losses)/gains on sale of investments	<u>(126)</u>	<u>35</u>
Net Income transferred to total funds	(1,586)	3,849
Unrealised (losses)/gains on investments in the year	(5,808)	88
Total Funds at 1 January 2008	57,274	53,337
Total Funds at 31 December 2008	<u>49,880</u>	<u>57,274</u>

	2008	2007
	£'000	£'000
Total Funds are deployed and allocated to:		
Land and Buildings, Equipment and other assets	18,049	17,617
Capital expenditure planned by the Board	9,624	13,052
Operating lease commitments	1,619	1,051
Free Liquid Reserves	20,588	25,554
	<u>49,880</u>	<u>57,274</u>
Number of weeks of budgeted expenditure covered by Free Liquid Reserves	<u>37</u>	<u>50</u>

STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

The Blue Cross (Incorporating Our Dumb Friends League) is a Charity Registered in England and Wales (No: 224392) and in Scotland (No: SCO40154) and a Company limited by guarantee with no share capital (Registered No: 363197). The governing document is the Memorandum and Articles of Association of The Blue Cross.

HONORARY PRESIDENT

RT Vyner CBE

MEMBERSHIP

On 31 December 2008 there were 48 Members of The Blue Cross, each paying an annual subscription and entitled to vote at the AGM. Admission to membership requires Board approval.

BOARD OF GOVERNORS

The Board of Governors, all of whom are Members of the Charity, is required to conduct the affairs and the general business of The Blue Cross and meets a minimum of four times per year. Under Article 14 of its Articles of Association the Charity is required to have a minimum of five Governors, with no upper limit. The Board currently stands as follows:

Board Members:

DA Sinclair LLB QDR (Chairman)	TC Hutton MRCVS
WH King (Vice Chairman)	J Hyde RGN MA
ZD Berry FCA	AJ Prebble
W Beswick MRCVS	JMI Reed FCA
PF Brooks	The Hon H Roper-Curzon
Dr ATB Edney MRCVS	AV Rowbotham
R Green MRCVS	Dr DS Watt PhD FRICS

Secretary to the Board: KL Hamilton MSc (Appointed 1 September 2008)
JS Sewell-Rutter (Retired 27 August 2008)

Under Articles 16 and 17 of the Charity's Articles of Association, the following Governors retired by rotation and, all being eligible, were re-elected to the Board at the Annual General Meeting held on 12 June 2008:

DA Sinclair LLB QDR
TC Hutton MRCVS
W Beswick MRCVS
Dr ATB Edney MRCVS
JMI Reed FCA

BOARD OF GOVERNORS (cont)

New members of the Board are co-opted by existing Governors to maintain or augment the range of skills and experience appropriate to the needs and activities of the Charity and subsequently proposed for election by the Members at the AGM.

On appointment new Governors are provided with appropriate Charity Commission guides, The Blue Cross Handbook, a copy of the Memorandum and Articles of Association, a full set of the Charity's policies, the current Strategic Plan, the latest Statutory Accounts and an outline of their duties and responsibilities. New Governors meet with the Chief Executive and Deputy Chief Executive to undertake an induction process.

GOVERNORS' RESPONSIBILITIES

Company law requires the Governors (who are Directors under Company law) to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Charity and of the surplus or deficit for that period. The Governors have agreed to adopt the Statement of Recommended Practice – Accounting by Charities. In preparing the financial statements, the Governors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements 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 a going concern basis unless it is inappropriate to presume that the charity will continue in business

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 1985 and the requirements of the Charities Act 1993 and 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Governors have confirmed that insofar as they are aware there is no relevant audit information of which the Charitable Company's auditors are unaware, and that they have taken all appropriate steps as Directors to make themselves aware of any relevant audit information and to establish that the Charitable Company's auditors are aware of that information.

FINANCE AND SUPPORT COMMITTEE

The members of the Finance and Support Committee (FISCO) are listed below. The Committee operates under the delegated authority of the full Board and meets at least four times a year to consider detailed financial and support matters, so leaving the Board with responsibility for major policy decisions and any issues that must be considered by the full Board.

JMI Reed FCA (Chairman)
ZD Berry FCA
PF Brooks
J Hyde RGN MA
TC Hutton MRCVS
AJ Prebble
The Hon H Roper-Curzon
AV Rowbotham
DA Sinclair LLB QDR (ex-officio as Chairman of Governors)

SERVICE DELIVERY COMMITTEE

The members of the Service Delivery Committee (SEDCO) are listed below. The Committee operates under the delegated authority of the full Board and meets at least four times a year to consider detailed operational matters, so leaving the Board with full responsibility for major policy decisions and any issues that must be considered by the full Board.

WH King (Chairman)
W Beswick MRCVS
Dr ATB Edney MRCVS
R Green MRCVS
J Hyde RGN MA
AJ Prebble
Dr D S Watt PhD FRICS
DA Sinclair LLB QDR (ex-officio as Chairman of Governors)

KL Hamilton, as Chief Executive, and other members of the Senior Management Team (SMT) are in attendance at the above meetings as required.

The Board delegates responsibility for the day-to-day management of the Charity to the Chief Executive and the SMT. The SMT reports to the Board on the performance of their respective departments against the Strategic Plan set out by the Governors and financial and operational trends measured against the annually approved budget. Key performance indicators are in place to assist this process.

RESERVES

The Board's reserves policy is to maintain a minimum level of free reserves to counter the most significant potential risk to the organisation, which has been identified as a sudden fall in income. This level will cover 39 weeks future revenue costs after capital expenditure and other commitments. The Board has reviewed the current free liquid reserves of the Charity and considers that, in view of the anticipated expenditure plans over the next five years and given the current economic conditions, the level is acceptable at 37 weeks (2007 - 50 weeks).

INVESTMENT POLICY AND PERFORMANCE

The turmoil in the world's financial markets in 2008 has had a significant impact on the Charity's investments, which were reduced by £6m (2007 - £Nil). As a consequence there was a significant reduction in its reserves at the year-end and the continuing uncertainty in the global economy remains of concern to the Governors, however the investments are held for the long term with a general expectation of future recovery.

The investment portfolio is managed externally by the charity's investment managers on a discretionary basis, subject to appropriate policies and limits established by the Governors.

The central requirement for the investment portfolio is to produce optimum growth exceeding inflation over any long-term period with a balanced level of risk. Investment performance is reviewed by the Governors on a quarterly basis with the Charity's investment managers against relevant benchmarks.

RISK

The Governors regularly review areas of risk across the whole range of the Charity's activities. The annual budget and business planning processes include reviews and assessment of the possible risks to the Charity, the likely consequences of those risks and plans to mitigate their effects on delivery of the charitable services. This framework of risk is actively monitored across the organisation by the Senior Management Team supported by an Internal Auditor, a Health and Safety Manager and The Blue Cross staff. Any significant changes in risk to the organisation are notified to the Governors and addressed by the Senior Management Team.

The Board has completed a full risk assessment covering all Blue Cross activities which it keeps under continuous review. Each quarter the Senior Management Team reports to the Board on the management of key areas of risk.

EMPLOYEES

Employees are vital to the delivery of our charitable objectives. The Charity believes in, and practises, open communication, supported by a Staff Forum, inter-departmental meetings, newsletters and organisation-wide email access. The Charity continues to hold Investors in People accreditation, as external evidence of its commitment to, and practical application of, staff communication and development.

EQUAL OPPORTUNITIES

The Blue Cross is committed to the principle of equal opportunity in employment and aims to ensure that recruitment, selection, training, development and promotion procedures result in all job applicants and employees, regardless of their status, being treated on an equal basis, bearing in mind the aptitudes of the applicant concerned, and subject to any reasonable adjustment that may be required. Every effort is made to ensure that if a member of staff becomes permanently disabled during their employment with the Charity, their employment continues and any additional training and support is provided.

VOLUNTEERS

2008 was a year of significant growth for our volunteer programme. We now have well over 1,000 registered volunteers who provided a total of over 114,000 hours to the charity in 2008, a 35% increase on the 83,000 hours given in 2007.

We have successfully expanded our volunteer support team, with the introduction of three full time Regional Volunteering Managers and three part time equine centre Volunteer Co-ordinators dedicated to developing and supporting the volunteer programmes in their areas. This has led to significant increases in volunteer hours; more structure, support and development opportunities for existing volunteers; as well as the introduction of new roles such as volunteer home visitors, community speakers and new fundraising groups.

We have also focussed on improving the way we manage and support our volunteers by introducing a 2-day training course for our Volunteer Co-ordinators and managers, and a Volunteering Toolkit to ensure best practice in all areas of volunteer management.

AUDITORS

The Governors will place a resolution before the Annual General Meeting to re-appoint The Gallagher Partnership LLP as auditors for the ensuing year.

By order of the Board



KL Hamilton MSc
Secretary

21 April 2009

DETAILS OF THE REGISTERED OFFICE OF THE BLUE CROSS AND ADDRESSES OF ITS PROFESSIONAL ADVISERS

Registered Office

Shilton Road
Burford
Oxfordshire
OX18 4PF

The Blue Cross (Incorporating Our Dumb Friends League), is a Charity Registered in England and Wales (No:224392) and in Scotland (No:SC040154) and a Company limited by guarantee with no share capital, registered in England (No:363197)

Bankers

National Westminster Bank Plc
141 Ebury Street
London
SW1W 9QP

Auditors

The Gallagher Partnership LLP
Chartered Accountants
Registered Auditors
Titchfield House
69/85 Tabernacle Street
London
EC2A 4RR

Solicitors

Bircham, Dyson Bell LLP
50 Broadway
Westminster
London
SW1H 0BL

Investment Managers

Rathbones Investment Management Limited
159 New Bond Street
London
W1S 2UD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BLUE CROSS (Incorporating Our Dumb Friends' League)

We have audited the financial statements of The Blue Cross (Incorporating Our Dumb Friends' League) for the year ended 31 December 2008 which comprise the consolidated statement of financial activities, the balance sheets, cash flow statements and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Charity's members, as a body, in accordance with Section 235 of the Companies Act 1985 and to the charity's trustees, as a body. Our audit work has been undertaken so that we might state to the Charity'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 charitable 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

The trustees, who are Governors (who are also the directors of The Blue Cross for the purpose of company law) responsibilities 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 (United Kingdom 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 if in our opinion the information given in the Governors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Charity 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 other transactions with the charity is not disclosed.

We read the Governors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom 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 company's and the group'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.

We report to you whether in our opinion the information given in the Governors' Report is consistent with the financial statements.

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 affairs of the Company and the Group as at 31 December 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been prepared in accordance with the Companies Act 1985; and
- the information given in the Governors' Report is consistent with the financial statements.

The Gallagher Partnership LLP

The Gallagher Partnership LLP
Chartered Accountants and Registered Auditors
London
27 April 2009

Consolidated Statement of Financial Activities for the year ended 31 December 2008

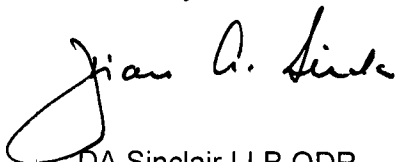
	Note	General Funds £'000	Restricted Funds £'000	Total 2008 £'000	Total 2007 £'000
<u>Incoming Resources from Generated Funds</u>					
Voluntary Income:					
Donations and gifts		7,463	760	8,223	8,160
Legacies received		9,569	3,420	12,989	14,063
Activities for generating funds:					
Fundraising		1,425	76	1,501	1,554
Income of Trading subsidiaries	4	20	0	20	147
Investment income	3	1,464	70	1,534	1,470
Other incoming resources					
Net gain on disposal of tangible fixed assets		1	0	1	0
Total Incoming Resources		19,942	4,326	24,268	25,394
<u>Resources Expended</u>					
Charitable activities:					
Animal hospitals and clinics		6,405	1,930	8,335	7,490
Companion animal centres		6,061	2,273	8,334	6,926
Equine welfare		2,157	345	2,502	2,054
Education		1,181	9	1,190	924
		15,804	4,557	20,361	17,394
Cost of Generating Funds					
Voluntary Income		3,635	210	3,845	2,964
Fundraising Income		1,347	0	1,347	1,067
Investment income		49	0	49	55
		5,031	210	5,241	4,086
Governance Costs		125	1	126	100
Total Resources Expended	6	20,960	4,768	25,728	21,580
Net (outgoing)/incoming resources for the year before transfers		(1,018)	(442)	(1,460)	3,814
Gains on investment assets:					
Total unrealised and realised investment (losses)/gains		(5,834)	(100)	(5,934)	123
Net Movement in Funds		(6,852)	(542)	(7,394)	3,937
Fund balances brought forward at 1 January 2008		49,636	7,638	57,274	53,337
Transfers between funds		(138)	138	0	0
Fund balances carried forward at 31 December 2008		42,646	7,234	49,880	57,274


None of the Society's activities was acquired or discontinued during the above two financial years. The Society has no recognised gains or losses other than those dealt with in the statement of financial activities. The notes on 18 to 30 form part of these accounts.

Consolidated Balance Sheet at 31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
FIXED ASSETS					
Tangible Assets	8		18,049		17,617
Investments	9		<u>15,242</u>		<u>21,035</u>
			33,291		38,652
CURRENT ASSETS					
Stocks	10	59		64	
Debtors	11	1,685		1,663	
Cash at bank and in hand		<u>17,325</u>		<u>18,645</u>	
		19,069		20,372	
CREDITORS: Amounts falling due within one year	12	<u>(2,480)</u>		<u>(1,750)</u>	
NET CURRENT ASSETS			<u>16,589</u>		<u>18,622</u>
NET ASSETS			<u>49,880</u>		<u>57,274</u>
Unrestricted funds	13		42,646		49,636
Restricted funds	14		<u>7,234</u>		<u>7,638</u>
TOTAL FUNDS			<u>49,880</u>		<u>57,274</u>

The financial statements were approved by the Board on 21 April 2009 and signed on its behalf by:

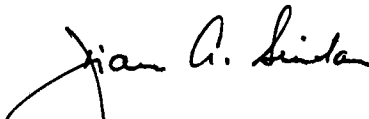

 DA Sinclair LLB QDR
 Chairman

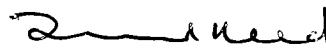

 JMI Reed FCA
 Chairman
 Finance and Support Committee

Company Balance Sheet at 31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
FIXED ASSETS					
Tangible Assets	8		18,049		17,617
Investments	9		<u>15,242</u>		<u>21,035</u>
			33,291		38,652
CURRENT ASSETS					
Stocks	10	59		64	
Debtors	11	2,178		1,802	
Cash at bank and in hand		<u>16,784</u>		<u>18,462</u>	
		19,021		20,328	
CREDITORS: Amounts falling due within one year	12	<u>(2,432)</u>		<u>(1,706)</u>	
NET CURRENT ASSETS			<u>16,589</u>		<u>18,622</u>
NET ASSETS			<u>49,880</u>		<u>57,274</u>
Unrestricted funds	13		42,646		49,636
Restricted funds	14		<u>7,234</u>		<u>7,638</u>
TOTAL FUNDS			<u>49,880</u>		<u>57,274</u>

The financial statements were approved by the Board on 21 April 2009 and signed on its behalf by:


DA Sinclair LLB QDR
Chairman


JMI Reed FCA
Chairman
Finance and Support Committee

Consolidated Cashflow Statement for the Year ended 31 December 2008	2008 £'000	2007 £'000
Net cash (outflow)/inflow from operating activities	(1,461)	2,603
Investment income	1,534	1,470
Capital expenditure	(1,258)	(312)
Net movement in investment funds	(135)	(1,892)
Increase/(Decrease) in cash	<u>(1,320)</u>	<u>1,869</u>

Reconciliation of Operating surplus to Net cash inflow from operating activities

Net (outgoing) / incoming resources for the year	(1,460)	3,814
Depreciation	821	831
(Surplus) on sale of fixed assets/ investments	(1)	0
(Increase)/Decrease in stocks	5	(1)
(Increase) in debtors	(22)	(305)
(Decrease)/Increase in creditors	730	(266)
Investment income	(1,534)	(1,470)
Net cash inflow from operating activities	<u>(1,461)</u>	<u>2,603</u>

Analysis of cashflows for headings netted in the Cashflow Statement

Investment income

Investment income received & receivable	934	572
Interest received & receivable	600	898
	<u>1,534</u>	<u>1,470</u>

Capital expenditure

Purchase of tangible fixed assets	(1,259)	(312)
Sale of tangible fixed assets	1	0
	<u>(1,258)</u>	<u>(312)</u>

Investment Funds

Purchase of investments	(3,546)	(4,540)
Sale of investments	3,411	2,648
Net movement on investment funds	<u>(135)</u>	<u>(1,892)</u>

Analysis of changes in net funds	At 1 Jan 2008 £'000	Changes £'000	At 31 Dec 2008 £'000
Net cash:			
Cash held by Investment Managers	436	110	546
Short term deposits	16,000	(7,000)	9,000
Cash in hand	2,209	5,570	7,779
	<u>18,645</u>	<u>(1,320)</u>	<u>17,325</u>

Notes to the Consolidated Accounts for the year ended 31 December 2008

1. ACCOUNTING POLICIES

A summary of principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

i. Basis of Accounting

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005), applicable accounting standards and the Companies Act 1985.

ii. Income

Charitable income is recognised on a cash received basis other than where an accruals basis provides a more accurate basis or will give a fairer representation of the underlying nature of the transaction. Income is recognised so far as there is entitlement to the income, there is certainty of its receipt and the amount is quantifiable. Turnover in the Trading Company is represented substantially by the commission receivable, excluding VAT, on goods sold during the year.

iii. Legacies

Legacies are treated as income when the Society is legally entitled to the bequest and the amount can be quantified with reasonable accuracy. The date of entitlement is the earlier of the Society being notified of an impending distribution or the legacy being received. Bequests received for specific hospitals, centres and other purposes are included as restricted funds income and utilised to meet their respective costs.

iv. Tangible Fixed Assets

Tangible fixed assets represent freehold land and buildings, motor vehicles and equipment. With the exception of IT equipment which is all written off in the year of purchase, all fixed assets purchased for more than £5,000 and with an expected life of more than one year are included at cost and depreciated on the bases outlined below. Freehold land and buildings are stated at cost or at valuation. Property additions since the last revaluation are stated at cost.

v. Depreciation

The Board has set depreciation rates that are prudent and realistic and use the following rates, all on a straight line basis, to reduce by annual instalments the cost of the tangible assets over their estimated useful lives:

Freehold buildings - hospitals and administration	50 years
Freehold buildings - adoption and equine centres	25 years
Equipment	4 years
Motor vehicles	3 years

vi. Listed Investments

Investments are included in the accounts at market value.

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

vii. Stocks

Stocks are valued at the lower of cost and net realisable value. Full provision is made for slow moving and obsolete items.

viii. Expenditure

Expenditure is charged to the revenue account on an accruals basis and has been classified under headings that aggregate costs related to each particular charitable activity. Support costs that relate to the delivery of our charitable work including IT, payroll, administration, health and safety, human resources, print, communications and management, have been allocated to activities on the basis of headcount in the area of activity. Governance costs relate to the monitoring of the general running of the charity, strategic planning and public accountability.

ix. Pensions

Pension contributions are charged to the income and expenditure account as incurred.

x. Consolidation

The Group Accounts consolidate the accounts of The Blue Cross and its subsidiary undertakings drawn up to 31 December 2008 on a line by line basis in the balance sheet and a single line entry in the Statement of Financial Activities. The detailed profit and loss account of The Blue Cross Trading Company is included in Note 4 and The Blue Cross (D&B) Company's activity is disclosed in Note 5 to the accounts.

2. NET INCOME FOR THE YEAR

	2008	2007
	£'000	£'000
The net income for the year is stated after charging:		
Depreciation	821	831
Gains on disposals of tangible fixed assets	1	0
Auditors remuneration	<u>20</u>	<u>20</u>

3. INCOME FROM INVESTMENTS

	2008	2007
	£'000	£'000
Investment income received & receivable	600	572
Interest received & receivable	934	898
	<u>1,534</u>	<u>1,470</u>

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

4. THE BLUE CROSS TRADING COMPANY LIMITED

The Charity has a wholly owned trading subsidiary incorporated in the UK, whose activities form part of an integrated approach to supporters. The Blue Cross Trading Company Ltd primarily generates its income through commission on the sales of gifts and Christmas cards by mail order. Turnover also includes sales at the Charity's adoption centres. Net taxable profits are transferred to The Blue Cross by way of Gift. A summary of the trading results is shown below:

Profit and Loss Account	2008 £'000	2007 £'000
Turnover	143	262
Cost of Sales	(87)	(82)
Gross Profit	56	180
Administrative Expenses	(36)	(33)
Profit on ordinary activities	20	147
Tax on profit on ordinary activities	0	0
Profit on ordinary activities after taxation	20	147
Retained profit brought forward	0	0
Gifted to The Blue Cross	(20)	(147)
Retained Profit carried forward	0	0

5. THE BLUE CROSS (D&B) COMPANY LIMITED

The Charity has set up a wholly owned subsidiary incorporated in the UK, whose main activity is to undertake the design and building of the Charity's hospitals and adoption centres in the most cost effective manner for the benefit of the Charity. Its turnover is derived from invoicing the Charity at cost for each major capital project as the costs are incurred. Any net profits would be transferred to The Blue Cross by way of Gift.

A summary of the trading results is shown below:

Profit and Loss Account	2008 £'000	2007 £'000
Turnover	1,077	196
Cost of Sales	(1,077)	(196)
Gross Profit	0	0
Administrative Expenses	0	0
Profit on ordinary activities	0	0
Tax on profit on ordinary activities	0	0
Profit on ordinary activities after taxation	0	0
Retained profit brought forward	0	0
Retained Profit carried forward	0	0

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

6. ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff Costs £'000	Other Costs £'000	Dep'n £'000	2008 Total £'000	2007 Total £'000
Direct charitable expenditure					
Animal hospitals and clinics	4,976	3,128	231	8,335	7,490
Companion animal centres	3,739	4,197	398	8,334	6,926
Equine welfare	1,100	1,237	165	2,502	2,054
Education	322	867	1	1,190	924
	<u>10,137</u>	<u>9,429</u>	<u>795</u>	<u>20,361</u>	<u>17,394</u>
Costs of Generating Funds					
Voluntary Income	680	3,148	17	3,845	2,964
Fundraising Income	446	892	9	1,347	1,067
Investment Income	0	49	0	49	55
	<u>1,126</u>	<u>4,089</u>	<u>26</u>	<u>5,241</u>	<u>4,086</u>
Governance costs	<u>45</u>	<u>81</u>	<u>0</u>	<u>126</u>	<u>100</u>
Total	<u>11,308</u>	<u>13,599</u>	<u>821</u>	<u>25,728</u>	<u>21,580</u>

Staff costs include £2,033k (2007 - £1,896k) and Other Costs include £2,157k (2007 - £2,467k), which have been allocated across all activities. These allocated costs include the provision of IT, payroll, administration, health and safety, human resources, print, communications and management services to the charity's staff and volunteers, adoption centres, equine centres and shops across the UK. They have been allocated on the basis of the number of full time equivalents in each area of direct activity.

7. STAFF COSTS

	2008 Group £'000	2007 Group £'000
Wages and salaries	9,983	8,761
Social security costs	917	816
Other pension costs	408	368
	<u>11,308</u>	<u>9,945</u>

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

7. STAFF COSTS (continued)

The average weekly number of employees engaged in the activities of the Charity during the year, calculated on full time equivalents, was:

	2008 Group Number	2007 Group Number
Animal hospitals and clinics	149	147
Companion animal centres	183	170
Equine welfare	50	46
Education	12	10
Generating voluntary income	21	21
Generating fundraising income	14	14
Governance	1	1
	<u>430</u>	<u>409</u>

The number of employees whose emoluments (including benefits in kind) were in excess of £60,000 for the year were:

	2008 Group Number	2007 Group Number
£60,001 - £70,000	2	5
£70,001 - £80,000	5	0
£80,000 - £90,000	0	1
£100,000 - £110,000	0	1

Contributions made in the year for the provision of money purchase pension schemes totalled £42,092 for these 7 employees (2007 - £43,450 for 7 employees).

In accordance with the Memorandum of Association of The Blue Cross the Governors received no remuneration for their services during the year.

Total expenses incurred during the year for 14 Governors was £17,984 (2007 - 14 Governors £18,704).

Trustee Indemnity Insurance was provided in the year at a total cost of £2,258 to the Charity (2007 - £2,400).

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

8. TANGIBLE FIXED ASSETS FOR THE GROUP AND COMPANY

	Freehold Land and Buildings £'000	Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 2008	23,118	384	154	23,656
Additions	1,201	44	14	1,259
Disposals	0	0	(17)	(17)
At 31 December 2008	<u>24,319</u>	<u>428</u>	<u>151</u>	<u>24,898</u>
Depreciation				
At 1 January 2008	5,679	245	115	6,039
Charge for the year	720	79	22	821
Disposals	0	0	(11)	(11)
At 31 December 2008	<u>6,399</u>	<u>324</u>	<u>126</u>	<u>6,849</u>
Net Book Value at 31 December 2008	<u>17,920</u>	<u>104</u>	<u>25</u>	<u>18,049</u>
Net Book Value at 31 December 2007	<u>17,439</u>	<u>139</u>	<u>39</u>	<u>17,617</u>

The Net Book Value at 31 December 2008 represents fixed assets used for:

	2008 Net Book Value £'000	2007 Net Book Value £'000	2008 Insurance Value £'000
Animal hospitals and clinics	6,868	7,091	11,275
Companion animal centres	6,882	6,944	17,932
Equine welfare	3,676	2,955	3,998
Education	31	30	35
Generating voluntary income	383	357	74
Generating fundraising income	206	238	40
Governance	3	2	3
	<u>18,049</u>	<u>17,617</u>	<u>33,357</u>

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

9. FIXED ASSET INVESTMENTS

	Group and Company 2008 £'000	Group and Company 2007 £'000
Market value at 1 January 2008	21,035	19,020
Disposals at valuation	(3,505)	(2,616)
Acquisitions at cost	3,546	4,540
Net (losses)/gains on revaluation	(5,834)	91
Market value at 31 December 2008	<u>15,242</u>	<u>21,035</u>
The above investments consist of:		
Fixed Interest securities	2,325	2,535
Other shares and securities	12,917	18,500
Investments in subsidiary undertakings	0	0
	<u>15,242</u>	<u>21,035</u>
Historical cost as at 31 December 2008	<u>17,492</u>	<u>17,045</u>

As at 17 March 2009 the market value of our investment portfolio had declined by £1,620K compared with its market value at 31 December 2008.

Given the long term nature of the portfolio, the Trustees and their professional advisors do not believe that this represents a permanent diminution in value and therefore no adjustment has been made in the accounts.

10. STOCKS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Veterinary drugs for charitable purposes	<u>59</u>	<u>64</u>	<u>59</u>	<u>64</u>

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

11. DEBTORS

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Income Tax Recoverable	632	333	632	333
Trade debtors	72	174	0	0
Amounts owed by group undertakings	0	0	111	216
Other debtors	471	629	471	618
Prepayments and accrued income	310	307	311	307
Loan to The Blue Cross (D&B) Co Ltd	0	0	453	108
Loan to the Irish Blue Cross	200	220	200	220
	<u>1,685</u>	<u>1,663</u>	<u>2,178</u>	<u>1,802</u>

At the balance sheet date a loan of £453k (2007 - £108k) was made to The Blue Cross (D&B) Company Limited. Interest is payable on the amount outstanding as earned by the subsidiary. Repayment is due by 2012.

At the balance sheet date a loan of £200k (2007 - £220k) was made to The Irish Blue Cross, a registered charity in the Republic of Ireland. Repayment is due by 2019.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade creditors	989	887	981	842
Amounts owed to group undertakings	0	0	0	38
Social security and other taxes	291	239	285	231
Other creditors	139	59	139	59
Accruals	1,061	565	1,027	536
	<u>2,480</u>	<u>1,750</u>	<u>2,432</u>	<u>1,706</u>

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

13. FUNDS

Group	Unrestricted £'000	Restricted £'000	2008 Total £'000	2007 Total £'000
Balance at 1 January 2008	49,636	7,638	57,274	53,337
Net movement in funds	(6,990)	(404)	(7,394)	3,937
Balance at 31 December 2008	42,646	7,234	49,880	57,274
Represented by:				
Tangible Fixed Assets	12,971	5,078	18,049	17,617
Investments	13,887	1,355	15,242	21,035
Other Net Assets	(736)	0	(736)	(23)
Cash	16,524	801	17,325	18,645
	42,646	7,234	49,880	57,274
Company				
Balance at 1 January 2008	49,636	7,638	57,274	53,337
Net movement in funds	(6,990)	(404)	(7,394)	3,937
Balance at 31 December 2008	42,646	7,234	49,880	57,274
Represented by:				
Tangible Fixed Assets	12,971	5,078	18,049	17,617
Investments	13,887	1,355	15,242	21,035
Other Net Assets	(195)	0	(195)	160
Cash	15,983	801	16,784	18,462
	42,646	7,234	49,880	57,274

14. RESTRICTED FUNDS

The funds of the Group and the Company include restricted funds held on trust to be applied for specific purposes.

	Income £'000	Capital £'000	Total £'000
Balance brought forward at 1 January 2008	917	6,721	7,638
Incoming funds in the year	3,626	598	4,224
Expenditure in the year	(3,952)	(814)	(4,766)
Transfer from other funds		138	138
Balance carried forward at 31 December 2008	591	6,643	7,234
Represented by:			
Land and Buildings	0	5,078	5,078
Investments	23	1,332	1,355
Cash	568	233	801
	591	6,643	7,234

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

14. RESTRICTED FUNDS (cont)

The principal restricted funds are those held in respect of the following funds. Investment income is credited to funds where applicable. Annual depreciation and other relevant costs related to buildings and equipment are charged against the appropriate capital fund over the lifetime of the asset or until the fund is fully utilised.

	2008 £'000	2007 £'000
Capital Funds		
Victoria Hospital	3,348	3,608
Bromsgrove Adoption Centre	269	332
Grimsby Hospital	1,460	1,591
Northiam Adoption Centre	306	361
Subsidiary Charities	202	301
Merton Hospital Vet equipment	51	58
Thirsk Adoption Centre	817	263
Veterinary Equipment	68	71
Mobile Clinic	71	73
Burford Adoption Centre	0	27
Other purposes	51	36
	<u>6,643</u>	<u>6,721</u>
Income Funds		
	2008 £'000	2007 £'000
Community Nurse & Mobile clinic running costs	35	23
Burford Adoption Centre	183	176
Northiam Adoption Centre	83	209
Sandbach Endowment Fund	23	35
Phoenix Horse Rescue Fund	9	9
Thirsk Adoption Centre running costs	225	376
Horse Ambulance running costs	33	48
Felixstowe Adoption Centre running costs	0	41
	<u>591</u>	<u>917</u>
	<u>7,234</u>	<u>7,638</u>

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

15. CONNECTED AND SUBSIDIARY CHARITIES

Connected Charities

The Irish Blue Cross	2008 £'000	2007 £'000
Grant in the year	<u>70</u>	<u>43</u>

The Irish Blue Cross provides veterinary care in the city of Dublin and an equine welfare service for race meetings and other events in the Republic of Ireland.

The Society for Companion Animal Studies (SCAS)	2008 £'000	2007 £'000
Grant in the year	<u>86</u>	<u>85</u>

The Blue Cross is a member of SCAS which is a registered charity incorporated as a company limited by guarantee and not having a share capital. The Blue Cross liability as a member is restricted to £1. SCAS provides funding for academic studies into the interaction between people and their companion animals, publishes and distributes the results and facilitates an annual conference which brings together the leading experts and advocates in the field of the human-animal bond.

The Blue Cross is a member of Assisi Animal Charities Foundation which is a registered charity incorporated as a company limited by guarantee and not having a share capital. The Blue Cross liability as a member is restricted to £10. Assisi co-ordinates and promotes payroll giving to benefit the work of five animal charities, including The Blue Cross, on a scale that would not be economic for the charities to carry out on an individual basis.

Subsidiary Charities

The following charities are classified as subsidiary charities on the Charity Commission's Register and are included in the accounts:

The War Horses Fund
 Annie Gordon Fund
 London Institute Mrs Morgan's Fund
 Bertie Copinger Prichard Fund (Captive and Performing Animals Fund)
 Mary Margaret Baroness Seaforth of Brahan (Sister Mabel's Free Dispensary for Sick Animals)
 Edith Alice Bromley-Boorne Fund
 Rosie May Hare Winton Fund
 Amy Alice Baldwin Fund
 Louisa Snow Fund
 Lucy Anne Fraser Oldfield Fund
 M I S Hounsell Fund

In accordance with the provisions of the Charities Acts regarding small charities, the Charity aims to utilise, during 2009, any small funds held by its Subsidiary Charities.

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

16. PENSION COSTS

The Charity contributes to a 'money purchase' pension scheme for salaried employees. Payments made to the scheme and charged in the accounts comprise current contributions. These contributions payable by the charity amounted to £408k (2007 - £368k). All contributions were paid in the year.

17. TAX ON SURPLUS ON ORDINARY ACTIVITIES

As a registered charity The Blue Cross is not subject to corporation tax. The income tax suffered by deduction from gifts is reclaimed from the Inland Revenue, as is a proportion of that attributable to income.

18. LEGACIES

At the year-end the Charity was aware that it was a beneficiary of an estimated 593 (2007 - 497) estates where either, it was not certain that the legacy would be received, or the value could not be reliably measured. The current estimate of the total amount concerned is £15.2m (2007 - £12.2m).

19. COMPANY STATUS

The Blue Cross is a registered charity constituted as a Company limited by guarantee, and does not have share capital. The liability of each member is limited to £1.

20. COMMITMENTS

Details of commitments at the accounting date are as follows:

Contracted for but not provided for:	2008 £'000	2007 £'000
Thirsk Companion Animal Centre	1,119	1,500
Tiverton Companion Animal Centre	0	273
Southampton Animal Centre	763	0
	<u>1,882</u>	<u>1,773</u>

The commitments contracted for but not provided for represent the contract values, less payments made for building projects in progress.

Notes to the Consolidated Accounts for the year ended 31 December 2008 (cont)

20. COMMITMENTS (continued)

Expenditure planned over next 5 years but not contracted for:	2008 £'000	2007 £'000
Animal hospitals and clinics	1,591	600
Companion animal centres	3,967	8,322
Equine welfare	2,184	2,357
	<u>7,742</u>	<u>11,279</u>
 Total Planned Expenditure	 <u>9,624</u>	 <u>13,052</u>

21. CONTINGENT LIABILITIES

The Blue Cross is a member of the Wag & Bone Show Company Limited, incorporated in April 2003 as a company limited by guarantee not having a share capital. The Blue Cross's liability as a member is limited to £5,000. The Wag & Bone Show Company Limited was set up by seven canine welfare charities to promote the image of the rescue dog in society through a rescue dog show.

The Blue Cross, on occasion, is required to give indemnities to the Executors of estates where The Blue Cross is a beneficiary. The Charity does not expect these indemnities to crystallise before expiry and aims to ensure that such indemnities are limited to the value of The Blue Cross share of the legacy, have the earliest possible expiry date, and are not given on a joint and several basis. The total value of indemnities given, but not provided in the accounts, outstanding at 31 December 2008 is £134k (2007 - £119k).

22. OTHER FINANCIAL COMMITMENTS

At 31 December 2008 the Charity was committed to making the following payments under operating leases in the year to 31 December 2009:

	2008 £'000	2007 £'000
Operating leases which expire:		
Within 1 year	29	46
Within 2 to 5 years	319	269
More than 5 years	73	21
	<u>421</u>	<u>336</u>