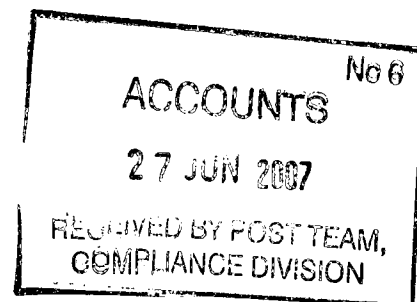


# THE BLUE CROSS

*Britain's pet charity*



## FINANCIAL STATEMENTS

for the year ended  
31 December 2006

The Blue Cross (Incorporating Our Dumb Friends' League)

A Company Limited by Guarantee No: 363197

Registered Charity No: 224392

## **REPORT OF THE GOVERNORS**

### **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.

### **MISSION STATEMENT**

The Blue Cross aims to provide care, promote companionship and enhance animal and human lives.

### **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 our 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 AIMS AND PLANS FOR THE FUTURE**

The Blue Cross Strategic Plan for 2007-2011 was ratified by the Board in October 2006. It sets out the objectives for this period to ensure that, whilst remaining faithful to its original objectives, the charity is in a position to develop new opportunities.

Our main objectives are to:

- develop a more extensive use of volunteers
- expand our education programmes
- increase the number of welfare associates
- develop pet fostering as a Blue Cross service
- enhance the Blue Cross availability to clients and customers
- develop a balanced and sustainable supporter base
- sustain and develop fund raising
- expand the work of the Blue Cross veterinary services
- enhance the Blue Cross equine operations
- build on our partnership with the Society for Companion Animal Studies

A series of action plans has been developed to assist the Board in monitoring implementation of the above objectives. They will be under continuous review to ensure that they remain viable in the light of any significant external or internal factors.

### **Capital Expenditure**

Capital expenditure this year has been relatively low pending the Board's review of the organisation's key objectives, and approval of the new Strategic Plan. The cost of our capital plans for the next 5 years is estimated to be £11.8m (2005 - £8.4m).

Our third equine welfare centre at Rolleston-on-Dove in Staffordshire began operations in July. This facility, built on land bequeathed to the Charity in 1988, fills a gap in charitable equine support in the Midlands area.

We also built new stabling and staff facilities to modern standards at our Burford Equine Centre.

Our programme of facilities improvement saw building refurbishment and upgrading at several of our sites and the installation of new equipment in all service and support operations.

## **ACHIEVEMENTS AND PERFORMANCE**

### **Fundraising**

Our voluntary and fundraising income in the year, including legacies, was £21.2m (2005 - £19.1m).

### **Companion Animal Welfare**

The demand for our services at our adoption centres has continued to grow during the year, and we found homes for 3,372 cats (2005 - 3,004), 2,333 dogs (2005 - 2,312) and 373 (2005 - 382) other domestic pets. The Charity contributed to the consultative process on the Animal Welfare Bill, now an Act which takes effect in April 2007.

We helped to support a total of 1,057 (2005 - 756) dogs, cats and horses through our welfare associations with Porthcawl Animal Welfare Society in South Wales, the Assisi Animal Sanctuary in Northern Ireland, and L'Association Phoenix in the Dordogne, France. The welfare associates scheme provides modest funding and access to our wide expertise to selected small independent charities which share our ethos so extending our reach and caring for more animals.

### **Equine Welfare**

The equine welfare services expanded with a total of 450 (2005 - 394) horses under guardianship in 2006. In addition to 365 (2005 - 327) horses out on loan, a further 85 (2005 - 67) horses and ponies were cared for in our equine centres, many of them undergoing rehabilitation prior to rehoming. Our new equine centre at Rolleston-on-Dove contributed to this expansion of support.

We continued our welfare association with Mountains Animal Sanctuary in Angus, Scotland, which cared for some 150 horses, ponies and donkeys in retirement, including 6 Blue Cross horses.

### **Veterinary Services**

Our four animal hospitals were very busy, conducting 92,963 consultations, diagnostic procedures and operations (2005 – 81,984). This figure includes 2,030 consultations at our mobile clinics in London.

Our Victoria Animal Hospital, London, continued to offer clinical experience to students from the Royal Veterinary College, who, under the guidance of their tutors, carried out consultations with some of our clients. This gives the students practical training and boosts our capacity to help animals at no cost to the Blue Cross.

Our new animal hospital in Grimsby has seen a big increase in the number of clients bringing their animals for treatment. It also provides out of hours services for several private veterinary practices in the area, the income from which helps to sustain our own services.

Our community veterinary nurses continued to provide services to needy pet owners outside our immediate hospital catchment areas, concentrating on those who are housebound or unable to bring their animals to our hospitals.

The Blue Cross Animal Welfare Grants Scheme gave £37,086 to 473 pet owners in financial need towards veterinary care for their animals.

The welfare veterinary clinic service at our Bromsgrove adoption centre was considerably expanded in June by being open for an additional day and treated 706 (2005 – 261) animals of qualifying owners.

### **Education**

Our 'All About Pets' pet care information service, ([www.allaboutpets.org.uk](http://www.allaboutpets.org.uk)) attracted over 870,000 visitors to the website in 2006. Over 740,000 All About Pets leaflets were downloaded or distributed to visitors to our own centres and hospitals and more widely through various veterinary, equine and companion animal events and locations.

These advice leaflets have been widened in scope and content and we remain confident that they make a significant contribution to improving the care of animals and also bring the Blue Cross and its services to the notice of a wider audience.

Our new children's educational programme piloted in 2005 was finalised early in 2006 and learning packages and teachers' guides linked to the National Curriculum are now available in CD, electronic and printed formats. Delivered by trained volunteers with carefully temperament-tested dogs, our objective is to help develop a generation which respects animals and understands how to care for them. We reached 20,347 children this year through a combination of school visits, youth groups and visits by schools to centres.

## **Subsidiary Companies**

The Trading Company had a challenging year in 2006, in difficult trading conditions, and donated by way of gift its profit of £125k (2005 - £147k) by way of gift to the Charity. Additional donations received from supporters by the Trading Company and passed directly to the Charity amounted to £401k (2005 - £474k).

The Design & Build Company continued to oversee the management and cost effectiveness of major capital projects on behalf of the Charity and also improved the VAT recovery position of the Charity as a whole.

## **Connected Charities**

- **The Irish Blue Cross**  
We continued to provide support funding to our longstanding 'sister' charity in the Irish Republic and in line with our mutually agreed strategy for the Irish Blue Cross, continue to encourage them to raise the proportion of their income received from other sources. Its mobile clinics in Dublin treated 10,305 animals of needy owners (2005 – 9,337). Its continued vaccination and neutering drive has contributed to the reduction in both disease and the number of stray animals in the city. Its highly respected horse ambulance service, generously supported by many sectors of the horse racing industry, attended a record 319 race days during the year (2005 – 305) and now covers all the racecourses in Ireland.
- **The Society for Companion Animal Studies (SCAS)**  
The Blue Cross partnership with SCAS has flourished and continues to promote the benefits of the human-animal bond. SCAS is currently carrying out an evaluation of the effectiveness of the Blue Cross children's education programme. We continued our collaboration in delivering accredited training in pet bereavement support to the veterinary profession and launched a joint pilot animal-assisted programme for the rehabilitation of offenders.
- **Assisi Animal Charities Foundation**  
The Blue Cross, in conjunction with four other animal charities, continued to benefit from its association with Assisi, which co-ordinates and promotes payroll giving for the benefit of all five charities.

## **Other Charities**

We continued active cooperation with other major animal welfare charities to share knowledge and best practice and to formulate responses to government consultation papers on legislative matters relating to animal welfare. Our most visible cooperative venture was the third annual Wag & Bone Show, which celebrates the rescue dog, run by the Blue Cross and six other animal welfare charities.

## FINANCIAL OUTCOME FOR THE YEAR

A summary of the results for the year and the resources deployed at 31 December 2006 is:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Operating Income	10,267	10,775
Legacy Income	12,262	10,782
	<u>22,529</u>	<u>21,557</u>
Expenditure	(19,678)	(17,937)
Net Income for the year	2,851	3,620
Realised gains on sale of investments	151	218
Net Income transferred to total funds	<u>3,002</u>	<u>3,838</u>
Unrealised gains on investments in the year	1,503	2,183
Total Funds at 1 January 2006	48,832	42,811
Total Funds at 31 December 2006	<u>53,337</u>	<u>48,832</u>
	<b>2006</b>	<b>2005</b>
Total Funds are deployed and allocated to:	<b>£'000</b>	<b>£'000</b>
Land and Buildings, Equipment and other assets	18,136	17,800
Capital expenditure planned by the Board	11,753	8,409
Operating lease commitments	755	500
Free Liquid Reserves	<u>22,693</u>	<u>22,123</u>
	<u>53,337</u>	<u>48,832</u>
Number of weeks of budgeted expenditure covered by Free Liquid Reserves	<u>51</u>	<u>56</u>

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **CONSTITUTION**

The Blue Cross (Incorporating Our Dumb Friends League) is a Charity (registered number 224392) and a Company limited by guarantee with no share capital (registered number 363197). The governing document is the Memorandum and Articles of Association of the Blue Cross.

### **HONORARY PRESIDENT**

RT Vyner CBE

### **MEMBERSHIP**

On 31 December 2006 there were 57 Members of the Blue Cross each paying an annual subscription of at least £1 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)	J Hyde RGN MA
TC Hutton MRCVS (Vice Chairman)	WH King
ZD Berry FCA	AJ Prebble (co-opted 25 October 2006)
W Beswick MRCVS	JMI Reed FCA
PF Brooks	The Hon H Roper-Curzon
Dr ATB Edney MRCVS	AV Rowbotham
R Green MRCVS	

**Secretary to the Board:** JS Sewell-Rutter

Under Articles 16 and 17 of the Charity's Articles of Association, the following Governors retire by rotation, and all, being eligible will be offering themselves for re-election:

ZD Berry  
R Green  
J Hyde  
WH King

The following Member of the Society, having been co-opted as a Governor under Article 20(ii) of the Articles of Association and being eligible, will be proposed for election to the Board under Article 19 at the AGM:

AJ Prebble

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. We are very fortunate that their day to day training needs are met either by each Governor personally or by their other employers.

## **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 GENERAL PURPOSES COMMITTEE**

The Finance and General Purposes Committee (F&GP) is comprised of those Governors set out below. It meets at least four times a year under the delegated authority of the full Board, to consider detailed financial and operational 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  
W Beswick MRCVS  
Dr ATB Edney MRCVS  
WH King  
AJ Prebble (from 25 October 2006)  
The Hon H Roper-Curzon  
AV Rowbotham  
DA Sinclair LLB QDR (ex-officio as Chairman of Governors)

JS Sewell-Rutter, as Chief Executive, is in attendance

The Board delegates responsibility for the day-to-day management of the Charity to the Chief Executive and the Senior Management Team (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.

## **INVESTMENT POLICY AND PERFORMANCE**

The central requirement for the investment portfolio is to produce optimum capital growth exceeding inflation over any long-term period with a balanced level of income.

The value of the investments of the Charity increased by £2.0million (2005 - £4.1million) during the year, broadly in line with the main UK Stock Market indices.

Investment performance is reviewed by the Governors on a quarterly basis with the Charity's investment advisors.

## **RESERVES**

The Board's reserves policy is to maintain a minimum level of 39 weeks in light of the predominant risks to the organisation, specifically a fall in income. This will cover 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, the level is sufficient but not excessive at 51 weeks (2005 - 56 weeks).

## **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 consequences of those risks and plans to mitigate their effects on delivery of the charitable services. This framework of risk is then 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.

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, intranet and organisation-wide email access. The Charity initially achieved Investors in People accreditation in early 2004, as external evidence of its commitment to, and practical application of, staff communication and development. A recent re-assessment has resulted in the renewal of the award.

## **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**

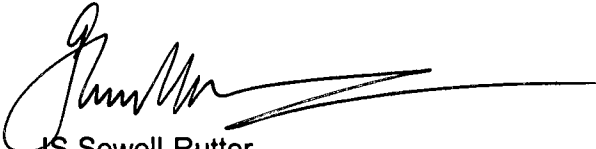
In 2006 we appointed our very first dedicated Volunteer Development Manager to recruit and support volunteers and assist our staff in making the most of this critical resource for our work. We are very grateful to the many volunteers who already walk dogs, socialise puppies, kittens, cats and other small animals, assist our horse ambulance service, or help with cleaning or fundraising or work with us at events. We are also grateful to those dedicated, highly trained volunteers who operate our Pet Bereavement Support Service and work in our Education scheme bringing the messages of responsible animal ownership to school children across the UK, and to those who work in our Charity shops.

Currently we have about 600 volunteers giving us over 45,000 hours of their time every year and we aim to increase this number considerably in the years ahead. The work of volunteers complements that of our salaried staff, adding considerable value to the Charity.

## 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**



JS Sewell-Rutter  
Secretary

3 April 2007

## **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), a Company limited by Guarantee, registered in England, Number 363197

Registered Charity Number 224392

### **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 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 2006, which comprise the consolidated statement of financial activities, the balance sheets cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out herein.

This report is made solely to the Charity'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 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 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 Governors and auditors**

As described in the statement of Governors responsibilities on page 7, the Governors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Governors' 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 Governors' remuneration and transactions with the Company 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.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governors 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 the Company's and the Group's affairs as at 31 December 2006 and of the Group's surplus for the year then ended:

- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Governor's report is consistent with the financial statements

The Gallagher Partnership LLP  
Chartered Accountants and Registered Auditors  
London

Date:

3 April 2007

## Consolidated Statement of Financial Activities for the year ended 31 December 2006

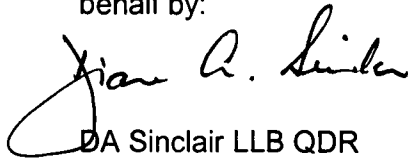
Note	General Funds £'000	Funds Restricted £'000	Total 2006 £'000	Total 2005 £'000
<b><u>Incoming Resources from Generated Funds</u></b>				
<b>Voluntary Income:</b>				
	7,201	426	7,627	7,172
	8,532	3,730	12,262	10,782
<b>Activities for generating funds:</b>				
	1,067	229	1,296	1,189
Income of Trading subsidiaries	4 125	0	125	147
Investment income	3 1,175	40	1,215	1,064
<b><u>Other incoming resources</u></b>				
<b>Net gain on disposal of tangible fixed assets</b>				
	4	0	4	1,203
<b><u>Total Incoming Resources</u></b>				
	<b>18,104</b>	<b>4,425</b>	<b>22,529</b>	<b>21,557</b>
<b><u>Resources Expended</u></b>				
<b><u>Charitable activities:</u></b>				
	4,635	2,238	6,873	6,490
	4,422	1,994	6,416	6,177
	1,496	336	1,832	1,277
	778	7	785	843
	<b>11,331</b>	<b>4,575</b>	<b>15,906</b>	<b>14,787</b>
<b><u>Cost of Generating Funds</u></b>				
	2,607	122	2,729	2,182
	899	0	899	828
	46	0	46	41
	<b>3,552</b>	<b>122</b>	<b>3,674</b>	<b>3,051</b>
<b><u>Governance Costs</u></b>				
	98	0	98	99
<b><u>Total Resources Expended</u></b>				
6	<b>14,981</b>	<b>4,697</b>	<b>19,678</b>	<b>17,937</b>
<b>Net incoming resources for the year before transfers</b>				
	<b>3,123</b>	<b>(272)</b>	<b>2,851</b>	<b>3,620</b>
<b>Transfers between funds</b>				
	(100)	100	0	0
<b>Net incoming resources for the year</b>				
	3,023	(172)	2,851	3,620
<b>Gains on investment assets:</b>				
<b>Total unrealised and realised investment gains</b>				
	<b>1,644</b>	<b>10</b>	<b>1,654</b>	<b>2,401</b>
<b>Net Movement in Funds</b>				
	<b>4,667</b>	<b>(162)</b>	<b>4,505</b>	<b>6,021</b>
<b>Fund balances brought forward at 1 January 2006</b>				
	40,455	8,377	48,832	42,811
<b>Fund balances carried forward at 31 December 2006</b>				
	<b>45,122</b>	<b>8,215</b>	<b>53,337</b>	<b>48,832</b>


All of the above results were derived from continuing activities. The Charity has no recognised gains or losses other than those dealt with in the Consolidated Statement of Financial Activities. The notes on 17 to 29 form part of these accounts

**Consolidated Balance Sheet at 31 December 2006**

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
<b>FIXED ASSETS</b>					
Tangible Assets	8		18,136		17,800
Investments	9		<u>19,020</u>		<u>17,008</u>
			37,156		34,808
<b>CURRENT ASSETS</b>					
Stocks	10	63		77	
Debtors	11	1,358		1,042	
Cash at bank and in hand		<u>16,776</u>		<u>14,351</u>	
		18,197		15,470	
<b>CREDITORS:</b> Amounts falling due within one year	12	<u>(2,016)</u>		<u>(1,446)</u>	
<b>NET CURRENT ASSETS</b>			<u>16,181</u>		<u>14,024</u>
<b>NET ASSETS</b>			<u>53,337</u>		<u>48,832</u>
Unrestricted funds	13		45,122		40,455
Restricted funds	14		<u>8,215</u>		<u>8,377</u>
<b>TOTAL FUNDS</b>			<u>53,337</u>		<u>48,832</u>

The financial statements were approved by the Board on 3 April 2007 and signed on its behalf by:

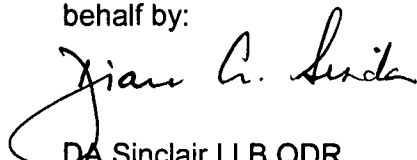
  
DA Sinclair LLB QDR  
Chairman


  
JMI Reed FCA  
Chairman  
Finance & General Purposes Committee

**Company Balance Sheet at 31 December 2006**

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
<b>FIXED ASSETS</b>					
Tangible Assets	8		18,136		17,800
Investments	9		19,020		17,008
			<u>37,156</u>		<u>34,808</u>
<b>CURRENT ASSETS</b>					
Stocks	10	54		62	
Debtors	11	1,403		1,031	
Cash at bank and in hand		<u>16,720</u>		<u>14,259</u>	
		18,177		15,352	
<b>CREDITORS: Amounts falling due within one year</b>					
	12	<u>(1,996)</u>		<u>(1,328)</u>	
<b>NET CURRENT ASSETS</b>			<u>16,181</u>		<u>14,024</u>
<b>NET ASSETS</b>			<u>53,337</u>		<u>48,832</u>
Unrestricted funds	13		45,122		40,455
Restricted funds	14		<u>8,215</u>		<u>8,377</u>
<b>TOTAL FUNDS</b>			<u>53,337</u>		<u>48,832</u>

The financial statements were approved by the Board on 3 April 2007 and signed on its behalf by:

  
DA Sinclair LLB QDR  
Chairman

  
JMI Reed FCA  
Chairman  
Finance & General Purposes Committee



**Consolidated Cashflow Statement for the Year ended 31 December 2006**

	2006 £'000	2005 £'000
Net cash inflow from operating activities	2,714	3,014
Investment income	1,215	1,064
Capital expenditure	(1,144)	(2,594)
Net movement in investment funds	<u>(360)</u>	<u>(1,725)</u>
Increase/(Decrease) in cash	<u>2,425</u>	<u>(241)</u>

**RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

Net incoming resources for the year	2,851	3,620
Depreciation	814	1,659
(Surplus) on sale of fixed assets/ investments	(4)	(1,203)
Decrease/(Increase) in stocks	14	(19)
(Increase)/Decrease in debtors	(316)	306
Increase/(Decrease) in creditors	570	(285)
Investment income	<u>(1,215)</u>	<u>(1,064)</u>
Net cash inflow from operating activities	<u>2,714</u>	<u>3,014</u>

**ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2006 £'000	2005 £'000
<b>Investment income</b>		
Investment income received & receivable	492	438
Interest received & receivable	<u>723</u>	<u>626</u>
	<u>1,215</u>	<u>1,064</u>

**Capital expenditure**

Purchase of tangible fixed assets	(1,152)	(4,064)
Sale of tangible fixed assets	8	1,470
	<u>(1,144)</u>	<u>(2,594)</u>

**Investment Funds**

Purchase of investments	(3,834)	(3,793)
Sale of investments	<u>3,474</u>	<u>2,068</u>
Net movement on investment funds	<u>(360)</u>	<u>(1,725)</u>

**ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 Jan 2006 £'000	Changes £'000	At 31 Dec 2006 £'000
Net cash:			
Cash held by Investment Managers	271	(216)	55
Short term deposits	12,700	1,900	14,600
Cash in hand	<u>1,380</u>	<u>741</u>	<u>2,121</u>
	<u>14,351</u>	<u>2,425</u>	<u>16,776</u>

## Notes to the Consolidated Accounts for the year ended 31 December 2006

### 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 now 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, computers 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.

#### vii. Stocks

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

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)**

**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 a basis consistent with the use of the resources. Governance costs relate to 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 2006 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**

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
The net income for the year is stated after charging:		
Depreciation	814	1,659
Gains on disposals of tangible fixed assets	4	1,203
Auditors remuneration	18	18
	<u>18</u>	<u>18</u>

**3. INCOME FROM INVESTMENTS**

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Investment income received & receivable	492	438
Interest received & receivable	723	626
	<u>1,215</u>	<u>1,064</u>

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (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:

<b>Profit and Loss Account</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Turnover	233	201
Cost of Sales	<u>(75)</u>	<u>(22)</u>
<b>Gross Profit</b>	<b>158</b>	<b>179</b>
Administrative Expenses	<u>(33)</u>	<u>(32)</u>
<b>Profit on ordinary activities</b>	<b>125</b>	<b>147</b>
Tax on profit on ordinary activities	<u>0</u>	<u>0</u>
<b>Profit on ordinary activities after taxation</b>	<b>125</b>	<b>147</b>
Retained profit brought forward		0
Gifted to The Blue Cross	(125)	(147)
<b>Retained Profit carried forward</b>	<u><u>0</u></u>	<u><u>0</u></u>

**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:

<b>Profit and Loss Account</b>	<b>Year to 31 Dec 2006 £'000</b>	<b>Year to 31 Dec 2005 £'000</b>
Turnover	953	3,577
Cost of Sales	<u>(953)</u>	<u>(3,577)</u>
<b>Profit on ordinary activities</b>	<b>0</b>	<b>0</b>
Tax on profit on ordinary activities	<u>0</u>	<u>0</u>
<b>Profit on ordinary activities after taxation</b>	<b>0</b>	<b>0</b>
Gifted to The Blue Cross	0	0
<b>Retained Profit for the financial year</b>	<u><u>0</u></u>	<u><u>0</u></u>

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)**

**6. ANALYSIS OF TOTAL RESOURCES EXPENDED**

	<b>Staff Costs £'000</b>	<b>Other Costs £'000</b>	<b>Dep'n £'000</b>	<b>Total £'000</b>	<b>2005 Total £'000</b>
<b>Direct charitable expenditure</b>					
Animal hospitals and clinics	4,127	2,504	242	6,873	6,490
Companion animal centres	3,002	3,020	394	6,416	6,177
Equine welfare	711	971	150	1,832	1,277
Education	213	571	1	785	843
	<u>8,053</u>	<u>7,066</u>	<u>787</u>	<u>15,906</u>	<u>14,787</u>
<b>Costs of Generating Funds</b>					
- Voluntary Income	578	2,140	11	2,729	2,182
- Fundraising Income	316	568	15	899	828
- Investment Income	0	46	0	46	41
	<u>894</u>	<u>2,754</u>	<u>26</u>	<u>3674</u>	<u>3,051</u>
<b>Governance costs</b>	<u>29</u>	<u>68</u>	<u>1</u>	<u>98</u>	<u>99</u>
<b>Total</b>	<u><b>8,976</b></u>	<u><b>9,888</b></u>	<u><b>814</b></u>	<u><b>19,678</b></u>	<u><b>17,937</b></u>

Staff Costs of £1,731k and Other Costs of £2,477k have been allocated across all activities. These include costs for 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. Costs have been allocated based on the number of full time equivalents in each area of direct activity.

**7. STAFF COSTS**

	<b>2006 Group £'000</b>	<b>2005 Group £'000</b>
Wages and salaries	7,917	7,222
Social security costs	722	667
Other pension costs	337	310
	<u>8,976</u>	<u>8,199</u>

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (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:

	<b>2006 Group Number</b>	<b>2005 Group Number</b>
Animal hospitals and clinics	139	134
Companion animal centres	163	150
Equine welfare	38	30
Education	9	9
Generating voluntary income	11	13
Generating fundraising income	14	12
Governance	1	1
	<u>375</u>	<u>349</u>

The number of employees whose emoluments (including benefits in kind) were in excess of £50,000 for the year were:

	<b>2006 Group Number</b>	<b>2005 Group Number</b>
£50,001 - £60,000	7	7
£60,001 - £70,000	4	4
£70,001 - £80,000	1	1
£90,001 - £100,000	1	1

Contributions made in the year for the provision of money purchase pension schemes totalled £68,795 for these 13 employees (2005 £66,369 for 13 employees).

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

The aggregate amount of expenses reimbursed during the year in respect of travel and subsistence for 13 Governors was £18,882 (2005 – 12 Governors £14,835).

Trustee Indemnity Insurance was provided in the year at a total cost of £2,414 to the Charity (2005 - £2,415).

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)**

**8. TANGIBLE FIXED ASSETS FOR THE GROUP AND COMPANY**

	<b>Freehold Land and Buildings £'000</b>	<b>Equipment £'000</b>	<b>Motor Vehicles £'000</b>	<b>Computers £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 2006	21,822	925	155	562	23,464
Additions	1,044	83	25	0	1,152
Disposals	0	(7)	(24)	(562)	(593)
<b>At 31 December 2006</b>	<b><u>22,866</u></b>	<b><u>1,001</u></b>	<b><u>156</u></b>	<b><u>0</u></b>	<b><u>24,023</u></b>
<b>Depreciation</b>					
At 1 January 2006	4,270	726	106	562	5,664
Charge for the year	696	80	38	0	814
Disposals	0	(7)	(22)	(562)	(591)
<b>At 31 December 2006</b>	<b><u>4,966</u></b>	<b><u>799</u></b>	<b><u>122</u></b>	<b><u>0</u></b>	<b><u>5,887</u></b>
<b>Net Book Value at 31 December 2006</b>	<b><u>17,900</u></b>	<b><u>202</u></b>	<b><u>34</u></b>	<b><u>0</u></b>	<b><u>18,136</u></b>
<b>Net Book Value at 31 December 2005</b>	<b><u>17,552</u></b>	<b><u>199</u></b>	<b><u>49</u></b>	<b><u>0</u></b>	<b><u>17,800</u></b>

The Net Book Value at 31 December 2006 represents fixed assets used for:

	<b>2006 Net Book Value £'000</b>	<b>2005 Net Book Value £'000</b>	<b>2006 Insurance Value £'000</b>
Animal hospitals and clinics	7,336	7,572	11,604
Companion animal centres	7,218	7,053	14,502
Equine welfare	3,003	2,577	3,931
Education	32	33	40
Generating voluntary income	238	267	47
Generating fundraising income	306	294	83
Governance	3	4	4
	<b><u>18,136</u></b>	<b><u>17,800</u></b>	<b><u>30,211</u></b>

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)**

**9. FIXED ASSET INVESTMENTS**

	<b>Group and Company 2006 £'000</b>	<b>Group and Company 2005 £'000</b>
Market value at 1 January 2006	17,008	12,887
Disposals at valuation	(3,346)	(1,873)
Acquisitions at cost	3,834	3,793
Net gains on revaluation	1,524	2,201
Market value at 31 December 2006	<u>19,020</u>	<u>17,008</u>
The above investments consist of:		
Fixed Interest securities	2,374	2,523
Other shares and securities	16,646	14,485
Investments in subsidiary undertakings	0	0
	<u>19,020</u>	<u>17,008</u>
Historical cost as at 31 December 2006	<u>15,012</u>	<u>14,516</u>

**10. STOCKS**

	<b>Group 2006 £'000</b>	<b>Group 2005 £'000</b>	<b>Company 2006 £'000</b>	<b>Company 2005 £'000</b>
Veterinary drugs for charitable purposes	54	62	54	62
Goods for resale	9	15	0	0
Total stocks	<u>63</u>	<u>77</u>	<u>54</u>	<u>62</u>



## Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)

### 11. DEBTORS

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Income Tax Recoverable	207	96	207	96
Trade debtors	172	145	0	0
Amounts owed by group undertakings	0	0	221	205
Other debtors	544	369	540	298
Prepayments and accrued income	195	172	195	172
Loan to The Irish Blue Cross	240	260	240	260
	<u>1,358</u>	<u>1,042</u>	<u>1,403</u>	<u>1,031</u>

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade creditors	853	757	840	582
Amounts owed to group undertakings	0	0	0	60
Social security and other taxes	223	204	219	202
Other creditors	86	90	86	93
Accruals	854	395	851	391
	<u>2,016</u>	<u>1,446</u>	<u>1,996</u>	<u>1,328</u>

### 13. FUNDS

Group	Unrestricted £'000	Restricted £'000	2006 Total £'000	2005 £'000
Balance at 1 January 2006	40,455	8,377	48,832	42,811
Net movement in funds	4,667	(162)	4,505	6,021
Balance at 31 December 2006	<u>45,122</u>	<u>8,215</u>	<u>53,337</u>	<u>48,832</u>
Represented by:				
Tangible Fixed Assets	12,069	6,067	18,136	17,800
Investments	18,617	403	19,020	17,008
Other Net Assets	(595)	0	(595)	(327)
Cash	15,031	1,745	16,776	14,351
	<u>45,122</u>	<u>8,215</u>	<u>53,337</u>	<u>48,832</u>

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)**

**13. FUNDS (continued)**

Company	Unrestricted £'000	Restricted £'000	2006 Total £'000	2005 £'000
Balance at 1 January 2006	40,455	8,377	48,832	42,809
Net movement in funds	4,667	(162)	4,505	6,023
Balance at 31 December 2006	<u>45,122</u>	<u>8,215</u>	<u>53,337</u>	<u>48,832</u>
Represented by:				
Tangible Fixed Assets	12,069	6,067	18,136	17,800
Investments	18,617	403	19,020	17,008
Other Net Assets	(539)	0	(539)	(235)
Cash	14,975	1,745	16,720	14,259
	<u>45,122</u>	<u>8,215</u>	<u>53,337</u>	<u>48,832</u>

**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 2006	715	7,662	8,377
Incoming funds in the year	4,308	127	4,435
Expenditure in the year	(4,060)	(637)	(4,697)
Transfers from General Funds	0	100	100
Balance carried forward at 31 December 2006	<u>963</u>	<u>7,252</u>	<u>8,215</u>
Represented by:			
Land and Buildings	0	6,067	6,067
Investments	0	403	403
Cash	963	782	1,745
	<u>963</u>	<u>7,252</u>	<u>8,215</u>

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)**

**14. RESTRICTED FUNDS (continued)**

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.

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital Funds</b>		
Victoria Hospital	3,909	4,136
Bromsgrove Adoption Centre	439	529
Grimsby Hospital	1,718	1,830
Northiam Adoption Centre	395	413
Subsidiary Charities	301	289
Rolleston Equine Centre	0	105
Merton Hospital Vet equipment	60	58
Thirsk Adoption Centre	84	82
Veterinary Equipment	74	74
Mobile Clinic	77	66
Burford Adoption centre	161	26
Other purposes	34	54
	<u>7,252</u>	<u>7,662</u>
<b>Income Funds</b>		
Hospital Ambulance Service running costs	0	49
Community Nurse & Mobile clinic running costs	10	0
Burford Adoption Centre	393	191
Northiam Adoption Centre	227	276
Southampton Adoption Centre	68	199
Sandbach Endowment Fund	35	0
Phoenix Horse Rescue Fund	9	0
Thirsk Adoption Centre running costs	82	0
Horse Ambulance running costs	9	0
Felixstowe Adoption Centre running costs	130	0
	<u>963</u>	<u>715</u>
	<u>8,215</u>	<u>8,377</u>

**Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)**

**15. CONNECTED AND SUBSIDIARY CHARITIES**

**Connected Charities**

<b>The Irish Blue Cross</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Grant in the year	<u>50</u>	<u>60</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 Irish Republic.

<b>The Society for Companion Animal Studies (SCAS)</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Grant in the year	<u>79</u>	<u>74</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 2007, any small funds held by its Subsidiary Charities.

## Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)

### 16. PENSION COSTS

The Charity contributes to a 'money purchase' pension scheme for those salaried employees who opt to join. Payments made to the scheme and charged in the accounts comprise current contributions. These contributions payable by the charity amounted to £336k (2005 - £310k). 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 376 (2005 - 431) estates where it was not certain that the legacy would be received or the amount to be received could not be reliably measured. The current estimate of the total amount concerned is £10.9million (2005 - £7.2million).

### 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. CAPITAL COMMITMENTS

Details of capital commitments at the accounting date are as follows:

<b>Contracted for but not provided for:</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Grimsby Animal Hospital	46	115
Cambridge Centre - new cattery	17	17
Burford Centre - stables refurbishment	4	0
Lewknor Centre - refurbishment and new cattery	0	31
Rolleston Equine Welfare Centre	77	917
	144	1,080

## Notes to the Consolidated Accounts for the year ended 31 December 2006 (cont)

### 20. CAPITAL COMMITMENTS (continued)

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

<b>Expenditure planned over next 5 years but not contracted for:</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Animal hospitals and clinics	0	50
Companion animal centres	10,420	6,365
Equine welfare	1,189	914
	<u>11,609</u>	<u>7,329</u>
 Total Planned Capital Expenditure	 <u>11,753</u>	 <u>8,409</u>

### 21. CONTINGENT LIABILITIES

i. 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 an annual rescue dog show.

ii. 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 2006 is £123k (2005 £32k).

### 22. OTHER FINANCIAL COMMITMENTS

At 31 December 2006 the Charity was committed to making the following payments under operating leases in the year to 31 December 2007:

Other operating Leases:

	<b>2006 £'000</b>	<b>2005 £'000</b>
Operating leases which expire:		
Within 1 year	50	41
Within 2 to 5 years	180	192
More than 5 years	22	0
	<u>252</u>	<u>233</u>

**THE BLUE CROSS TRADING**  
**COMPANY LIMITED**

**COMPANY No: 2203092**

**FINANCIAL STATEMENTS**  
**for the year ended**  
**31 December 2006**

**THE GALLAGHER PARTNERSHIP LLP**

## **REPORT OF THE DIRECTORS**

The Directors present their report and the audited financial statements for the year ended 31 December 2006.

### **PRINCIPAL ACTIVITIES**

The principal activity is to raise funds to further the work of the registered charity The Blue Cross (Incorporating our Dumb Friends League).

The trading activities are primarily conducted through a Christmas mail order service to supporters of the Charity. This service embraces a range of fund-raising opportunities designed to give supporters the opportunity to contribute to the Charity in ways which match their choice. In addition to the purchase of Christmas gifts, supporters donated £401k (£474k in 2005) directly to the Charity in response to the Spring and Christmas catalogue mailing.

Christmas cards, calendars and other selected goods are branded as a means of promoting awareness and the work of the Charity.

### **TAXATION**

In order that the profits of the company may fully benefit the parent company, the Charity, payments are remitted by way of gift by the Company.

### **DIRECTORS AND THEIR INTERESTS**

The Directors who served during the year received no remuneration for their services and had no beneficial interest in the company.

AW Rowbotham (Chairman)  
ZD Berry FCA  
W Beswick MRCVS  
Dr ATB Edney MRCVS  
WH King  
AJ Prebble (appointed 21 March 2007)  
JMI Reed FCA  
The Hon H Roper-Curzon  
JS Sewell-Rutter  
DA Sinclair LLB QDR

### **SECRETARY**

NA Smith ACA



## **DIRECTORS' RESPONSIBILITIES**

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Statement of disclosure to auditor**

- (a) so far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **SMALL COMPANY DISCLOSURE**

In preparing this report, the Directors have taken advantage of the special exemptions applicable to small companies under Part VII of the Companies Act 1985.

**By order of the Board**



**N A Smith ACA**  
**Secretary**

21 March 2007

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BLUE CROSS TRADING COMPANY LIMITED**

We have audited the financial statements of The Blue Cross Trading Company Limited for the year ended 31 December 2006 set out on pages 5 to 8. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing 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 Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

### **Basis of audit opinion**

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

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



**The Gallagher Partnership LLP**

Chartered Accountants

Registered Auditors

Titchfield House

69/85 Tabernacle Street

London EC2A 4RR

Date: 28 March 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £'000	2005 £'000
<b>TURNOVER</b>		233	201
Cost of Sales		<u>(75)</u>	<u>(22)</u>
<b>GROSS PROFIT</b>		158	179
Administrative Expenses		<u>(33)</u>	<u>(32)</u>
<b>OPERATING PROFIT</b>	2	125	147
Tax on profit on ordinary activities	3	<u>0</u>	<u>0</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		125	147
Gifted to the Blue Cross		<u>(125)</u>	<u>(147)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>0</u>	<u>0</u>

None of the Company's activities was acquired or discontinued during the above two financial years.

The Company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 7 to 8 form part of these financial statements.

**BALANCE SHEET AT 31 DECEMBER 2006**

	Notes	2006 £'000	2005 £'000
<b>CURRENT ASSETS</b>			
Stocks	4	9	15
Debtors	5	173	145
Cash at Bank and in hand		42	66
		<u>224</u>	<u>226</u>
Creditors: Amounts falling due within one year	6	(224)	(226)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>0</u>	<u>0</u>
<b>CAPITAL AND RESERVES</b>			
Called up Share Capital	7	0	0
Profit and Loss Account	8	0	0
		<u>0</u>	<u>0</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**The financial statements were approved by the Board on 21 March 2007 and signed on its behalf by:**



**A V Rowbotham  
Chairman**

21 March 2007

The notes on pages 7 to 8 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

**1. ACCOUNTING POLICIES**

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

**1.1 Basis of Accounting**

The financial statements are prepared under the historical cost convention.

**1.2 Compliance with Accounting Standards**

The financial statements are prepared in accordance with applicable accounting standards.

**1.3 Turnover**

Turnover represents the aggregate of total invoice value, excluding value added tax, of goods sold during the year and commissions received from fulfilment houses.

**1.4 Stocks**

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

**1.5 Operating Profit**

Taxable profits are gifted to the parent company.

**2. OPERATING PROFIT**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
The operating profit is stated after charging:		
Auditors remuneration	2	2
The Blue Cross – Management charge	<u>30</u>	<u>30</u>

**3. TAX**

There is no liability to pay corporation tax as all the profits of the Trading Company are paid to the Charity by way of Gift.

**4. STOCKS**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods	<u>9</u>	<u>15</u>

**5. DEBTORS**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Trade Debtors	<u>173</u>	<u>145</u>

**6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2006 £'000	2005 £'000
The Blue Cross	203	202
Trade Creditors	11	18
Other Creditors	10	6
	<u>224</u>	<u>226</u>

**7. SHARE CAPITAL**

	2006 £	2005 £
Authorised		
<u>Equity interests</u>		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
<u>Equity interests</u>		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

**8. PROFIT AND LOSS ACCOUNT**

	2006 £'000	2005 £'000
Retained profits at 1 January 2006	0	0
Profit for the financial year	125	147
Transferred by way of Gift to The Blue Cross	(125)	(147)
Retained profits as at 31 December 2006	<u>0</u>	<u>0</u>

**9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**

	2006 £'000	2005 £'000
Shareholders funds at 1 January 2006	0	0
Profit(Loss) for the financial year	0	0
Shareholders funds at 31 December 2006	<u>0</u>	<u>0</u>
Represented by:		
Equity interests	<u>0</u>	<u>0</u>

**10. ULTIMATE PARENT COMPANY**

The Company considers The Blue Cross (Incorporating Our Dumb Friends League), a charity and a company limited by guarantee, registered in England, as its ultimate holding company.

**INTERNAL MANAGEMENT  
INFORMATION ONLY**



**DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED  
31 DECEMBER 2006**

	2006 £'000	2006 £'000	2006 £'000	2005 £'000	2005 £'000	2005 £'000
<b>SALES</b>						
Promotional Goods		2			5	
Pet Goods		37			17	
Pet Food		10			1	
Christmas Goods		9			9	
Local Authority/Police		2			4	
Bank Interest		6			11	
Commission – Other		35			26	
Commission – Waterlow		0			5	
Commission –CFGC & Card Aid		1			0	
Commission – Webb Ivory (WI)		<u>131</u>			<u>123</u>	
Sales			233			201
<b>COST OF SALES</b>						
Opening Stocks at 1 Jan 2006		15			6	
Promotional Goods	(4)			9		
Pet Goods	21			14		
Pet Food	19			2		
Christmas Cards – CFCG/CardAid	3			11		
Christmas Goods - WI centre sales	18			3		
Christmas Goods -WI external sales	<u>12</u>			<u>(8)</u>		
Purchases		69			31	
Less Closing Stocks at 31 Dec 2006		<u>(9)</u>			<u>(15)</u>	
Total Cost of Sales			(75)			(22)
<b>GROSS PROFIT</b>			<u>158</u>			<u>179</u>
<b>ADMINISTRATIVE EXPENSES:</b>						
Legal and Professional	1			0		
Service charges payable	30			30		
Audit and Accountancy	<u>2</u>			<u>2</u>		
		<u>33</u>			<u>32</u>	
<b>OPERATING PROFIT</b>			<u>(33)</u>			<u>(32)</u>
			125			147
<b>NET PROFIT FOR THE YEAR</b>			<u>125</u>			<u>147</u>

**THIS PAGE DOES NOT FORM PART OF THE STATUTORY ACCOUNTS**

**THE BLUE CROSS (D&B)**  
**COMPANY LIMITED**

**COMPANY No: 4879277**

**FINANCIAL STATEMENTS**  
**for the year ended**  
**31 December 2006**

**THE GALLAGHER PARTNERSHIP LLP**

**REPORT OF THE DIRECTORS**

The Directors submit their report and the audited financial statements for the year ended 31 December 2006.

**PRINCIPAL ACTIVITIES**

The principal activity is to function as a design and build company for the development of service delivery buildings for the registered charity The Blue Cross (Incorporating Our Dumb Friends League).

**DIRECTORS AND THEIR INTERESTS**

None of the Directors received any remuneration for their services or had any beneficial interest in the company.

JMI Reed FCA  
JS Sewell-Rutter  
NA Smith ACA  
ZD Berry FCA  
AJ Prebble (appointed 21 February 2007)



**SECRETARY**

NA Smith ACA

## **DIRECTORS' RESPONSIBILITIES**

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Statement of disclosure to auditor**

- (a) so far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **SMALL COMPANY DISCLOSURE**

In preparing this report, the Directors have taken advantage of the special exemptions applicable to small companies under Part VII of the Companies Act 1985.

**By order of the Board**

**N A Smith ACA**  
**Secretary**

21 February 2007

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BLUE CROSS (D&B) COMPANY LIMITED**

We have audited the financial statements of The Blue Cross (D&B) Company Limited for the year ended 31 December 2006 set out on pages 5 to 8. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing 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 Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

### **Basis of audit opinion**

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

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.



**The Gallagher Partnership LLP**

Chartered Accountants

Registered Auditors

Titchfield House

69/85 Tabernacle Street

London EC2A 4RR

Date:

22 February 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	Year Ending 2006	Year Ending 2005
		£'000	£'000
<b>TURNOVER</b>		953	3,671
Cost of Sales		<u>(953)</u>	<u>(3,671)</u>
<b>OPERATING PROFIT/(LOSS)</b>		0	0
Interest Payable		<u>0</u>	<u>0</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>		0	0
Tax on profit on ordinary activities	2	<u>0</u>	<u>0</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>0</u>	<u>0</u>

None of the Company's activities was acquired or discontinued during the above financial period.

The Company has no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 7 and 8 form part of these financial statements.

**BALANCE SHEET AT 31 DECEMBER 2006**

	Notes	Year ending 2006	Year ending 2005
		£'000	£'000
<b>CURRENT ASSETS</b>			
Debtors	3	4	132
Cash in Bank and in Hand		13	26
		<u>17</u>	<u>158</u>
Creditors: Amounts falling due within one year	4	17	158
		<u>0</u>	<u>0</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	5	0	0
Profit and Loss Account	6	0	0
		<u>0</u>	<u>0</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

**The financial statements were approved by the Board on 21 February 2007 and signed on its behalf by:**

  
**J M I Reed FCA**  
**Chairman**

The notes on pages 7 and 8 form part of these financial statements



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**1. ACCOUNTING POLICIES**

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

**1.1 Basis of Accounting**

The financial statements are prepared under the historical cost convention.

**1.2 Compliance with Accounting Standards**

The financial statements are prepared in accordance with applicable accounting standards.

**1.3 Turnover**

Turnover represents the aggregate of total invoice value, excluding value added tax, of design and build work invoiced during the year.

**2. TAX**

Corporation tax payable is provided on taxable profits at the current rates.

**3. DEBTORS**

	Year ending 2006	Year ending 2005
	£'000	£'000
The Blue Cross	0	60
Other Debtors	4	72
	<u>4</u>	<u>132</u>

**4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Year ending 2006	Year ending 2005
	£'000	£'000
The Blue Cross	15	0
Trade Creditors	2	158
	<u>17</u>	<u>158</u>

**5. SHARE CAPITAL**

	Year ending 2006	Year ending 2005
	£	£
Authorised		
<u>Equity interests</u>		
<b>1000 Ordinary Shares of £1 each</b>	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
<u>Equity interests</u>		
<b>1 Ordinary Share of £1 each</b>	<u>1</u>	<u>1</u>

**6. PROFIT AND LOSS ACCOUNT**

	Year ending 2006	Year ending 2005
	£'000	£'000
Retained profit at 1 January 2006	0	0
Profit/(Loss) for the year	<u>0</u>	<u>0</u>
Retained profits as at 31 December 2006	<u>0</u>	<u>0</u>

**7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**

	Year ending 2006	Year ending 2005
	£'000	£'000
Shareholders funds at 1 January 2006	0	0
Profit for the year	0	0
Shareholders funds at 31 December 2006	<u>0</u>	<u>0</u>
Represented by:		
Equity interests	<u>0</u>	<u>0</u>

**8. ULTIMATE PARENT COMPANY**

The Company considers The Blue Cross (Incorporating Our Dumb Friends League), a charity and a company limited by guarantee, registered in England, as its ultimate holding company.