

THE BLUE CROSS (D&B)

COMPANY LIMITED

COMPANY No: 4879277

FINANCIAL STATEMENTS

**for the year ended
31 December 2007**

THE GALLAGHER PARTNERSHIP LLP

REPORT OF THE DIRECTORS

The Directors submit their report and the audited financial statements for the year ended 31 December 2007.

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 (Chairman)
JS Sewell-Rutter
NA Smith ACA DipCha
ZD Berry FCA
AJ Prebble

SECRETARY

NA Smith ACA DipCha

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 DipCha
Secretary**

11 March 2008

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 2007 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

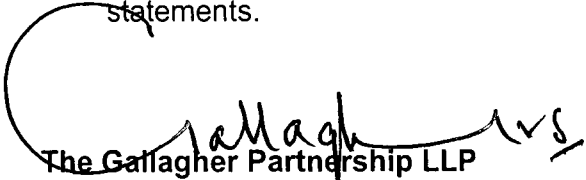
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 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:

16 March 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year Ending 2007	Year Ending 2006
		£'000	£'000
TURNOVER		196	953
Cost of Sales		<u>(196)</u>	<u>(953)</u>
OPERATING PROFIT/(LOSS)		0	0
Interest Payable		<u>0</u>	<u>0</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES		0	0
Tax on profit on ordinary activities	2	<u>0</u>	<u>0</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>0</u></u>	<u><u>0</u></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.

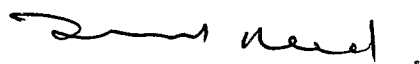
The notes on pages 7 and 8 form part of these financial statements.

BALANCE SHEET AT 31 DECEMBER 2007

	Notes	Year ending 2007	Year ending 2006
		£'000	£'000
CURRENT ASSETS			
Debtors	3	51	4
Cash in Bank and in Hand		97	13
		<u>148</u>	<u>17</u>
Creditors: Amounts falling due within one year	4	(148)	(17)
		<u>0</u>	<u>0</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CAPITAL AND RESERVES			
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 11 March 2008 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 2007**

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 2007 £'000	Year ending 2006 £'000
The Blue Cross	41	0
Other Debtors	10	4
	<u>51</u>	<u>4</u>

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ending 2007 £'000	Year ending 2006 £'000
The Blue Cross	108	15
Trade Creditors	40	2
	<u>148</u>	<u>17</u>

£108,018 of the amount owed to The Blue Cross is a loan secured by a fixed and floating charge over the Company's assets and the Company pays interest on the loan from The Blue Cross at a commercial rate.

5. SHARE CAPITAL

	Year ending 2007 £	Year ending 2006 £
Authorised		
<u>Equity interests</u>		
1000 Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
<u>Equity interests</u>		
1 Ordinary Share of £1 each	<u>1</u>	<u>1</u>

6. PROFIT AND LOSS ACCOUNT

	Year ending 2007 £'000	Year ending 2006 £'000
Retained profit at 1 January 2007	0	0
Profit/(Loss) for the year	0	0
Retained profits as at 31 December 2007	<u>0</u>	<u>0</u>

7. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Year ending 2007 £'000	Year ending 2006 £'000
Shareholders funds at 1 January 2007	0	0
Profit for the year	0	0
Shareholders funds at 31 December 2007	<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.

THE BLUE CROSS TRADING
COMPANY LIMITED

COMPANY No: 2203092

FINANCIAL STATEMENTS
for the year ended
31 December 2007

THE GALLAGHER PARTNERSHIP LLP

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

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 £446k (2006 - £401k) 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
JMI Reed FCA
The Hon H Roper-Curzon
JS Sewell-Rutter
DA Sinclair LLB QDR

SECRETARY

NA Smith ACA DipCha

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 DipCha
Secretary**

11 March 2008

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 2007 set out on pages 5 to 9. 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 2007 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: 26 March 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
TURNOVER		262	233
Cost of Sales		<u>(82)</u>	<u>(75)</u>
GROSS PROFIT		180	158
Administrative Expenses		<u>(33)</u>	<u>(33)</u>
OPERATING PROFIT	2	147	125
Tax on profit on ordinary activities	3	<u>0</u>	<u>0</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		147	125
Gifted to the Blue Cross		<u>(147)</u>	<u>(125)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>0</u></u>	<u><u>0</u></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 9 form part of these financial statements.

BALANCE SHEET AT 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
CURRENT ASSETS			
Stocks	4	0	9
Debtors	5	173	173
Cash at Bank and in hand		86	42
		<u>259</u>	<u>224</u>
Creditors: Amounts falling due within one year	6	(259)	(224)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>0</u></u>	<u><u>0</u></u>
CAPITAL AND RESERVES			
Called up Share Capital	7	0	0
Profit and Loss Account	8	0	0
		<u><u>0</u></u>	<u><u>0</u></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 11 March 2008 and signed on its behalf by:



A V Rowbotham
Chairman

The notes on pages 7 to 9 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2007**

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 Operating Profit

Taxable profits are gifted to the parent company.

2. OPERATING PROFIT

	2007	2006
	£'000	£'000
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

	2007	2006
	£'000	£'000
Finished goods	<u>0</u>	<u>9</u>

5. DEBTORS

	2007 £'000	2006 £'000
Trade Debtors	<u>173</u>	<u>173</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
The Blue Cross	215	203
Trade Creditors	36	17
Other Creditors	8	4
	<u>259</u>	<u>224</u>

7. SHARE CAPITAL

	2007 £	2006 £
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

	2007 £'000	2006 £'000
Retained profits at 1 January 2007	0	0
Profit for the financial year	147	125
Transferred by way of Gift to The Blue Cross	(147)	(125)
Retained profits as at 31 December 2007	<u>0</u>	<u>0</u>

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2007	2006
	£'000	£'000
Shareholders funds at 1 January 2007	0	0
Profit(Loss) for the financial year	0	0
Shareholders funds at 31 December 2007	<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.



THE BLUE CROSS

Britain's pet charity

FINANCIAL STATEMENTS

**for the year ended
31 December 2007**

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

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 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 2007 REVIEW

The 2007-2011 Strategic Plan, ratified in October 2006, is reviewed annually by the Board to ensure that the objectives remain appropriate. The 2007 review is set out below:

STRATEGIC OBJECTIVES	2007 REVIEW
Develop a more extensive volunteer network	In 2007 a new post of Volunteer Manager was established, a Volunteer Charter formulated and volunteers contributed 83,000 hours during the year.
Expand our education programmes	Integral to all Blue Cross activities, education forms part of advice given to clients in our hospitals, to adopters of animals from our centres and is also delivered through the internet information service www.allaboutpets.co.uk and our Childrens' Education Programme presented to 27,000 children in schools and youth clubs.
Increase the number of Welfare Associates	The addition of two equine and two companion animal welfare charities during 2007 brought the total number of Blue Cross Welfare Associates to ten.

STRATEGIC OBJECTIVES	2007 REVIEW
Develop pet fostering as a Blue Cross service	Following a pilot in 2007, we shall be recruiting more volunteers to foster those animals which are unsuited to a kennel environment.
Enhance The Blue Cross availability to clients and customers	A third adoption centre welfare clinic was established, the provision of welfare grants increased, opening hours at our centres extended and IT and telephone accessibility improved.
Develop a balanced and sustainable supporter base	10,000 new supporters were recruited during the year, including an increase in online regular givers.
Sustain and develop fundraising	Our overall 2007 fundraising target was met. As the Charity Shops are proving to be successful, more are being opened. Online donations have also increased. Legacy income at a record level justifies the investment in legacy promotion and demonstrates an increased public awareness of The Blue Cross.
Expand the work of The Blue Cross veterinary services	Our animal hospitals treated more animals than in 2006, there was a higher demand for veterinary treatment grants and a third welfare clinic was opened. The Board has also approved plans to increase the number of welfare and mobile clinics and to increase the provision of veterinary care grants in 2008.
Enhance The Blue Cross equine operations	The Blue Cross equine welfare department cared for, and re homed, record numbers of horses and also attracted excellent media coverage
Build on our partnership with the Society for Companion Animal Studies	SCAS broadened its sphere of influence in the promotion of the human/animal bond within the caring professions and among veterinary students.

Capital Expenditure

Capital expenditure this year was lower than planned primarily due to the rejection of our planning application to redevelop our Felixstowe centre, and we are now seeking a new site in the area. Building work began on new veterinary facilities at our Tiverton centre, for completion in Spring 2008. The Board has approved major development plans for our Thirsk, Bromsgrove and Southampton centres. We expect to complete these projects substantially in 2008 and they are included in the total cost of our major building plans for the next 5 years, forecast to be £13.1m (2006 - £11.8m).

ACHIEVEMENTS AND PERFORMANCE

Fundraising

Our voluntary and fundraising income in the year, including legacies, reached a record figure of £23.8m (2006 - £21.2m).

Companion Animal Welfare

The demand for our services at our adoption centres was steady during the year, and we cared for 3,340 cats (2006 - 3,372), 2,368 dogs (2006 - 2,333) and 243 (2006 - 373) other domestic pets. 181 animals were placed in temporary foster homes and we also cared for 52 animals under our welfare boarding programme whilst their owners were in hospital or otherwise in need. The Charity was involved in the consultation process prior to the Animal Welfare Act, in force since April 2007, and is involved in consultations on development of the supporting regulations and codes of practice.

We helped to support a total of 2,012 (2006 - 1,057) dogs, cats and other domestic animals through our "Welfare Associate" links with Porthcawl Animal Welfare Society in South Wales, the Assisi Animal Sanctuary in Northern Ireland, and L'Association Phoenix in the Dordogne, France. This scheme provides modest funding, and access to our expertise, to selected small like-minded charities, thereby extending our welfare provision in a cost effective way. We formed new associations with Mayflower Sanctuary, Yorkshire and Les Amis des Chats, France during the year.

Our animal behaviour team had an especially busy year conducting 805 individual consultations and assessments (2006 - 466) and providing telephone or e-mail advice in a further 1,058 cases (2006 - 983)

Equine Welfare

Our equine welfare services expanded with a total of 560 (2006 - 450) horses under guardianship in 2007. In addition to 434 (2006 - 365) horses out on loan, a further 126 (2006 - 85) horses and ponies were cared for in our three equine centres, many of them undergoing rehabilitation prior to rehoming.

Mountains Animal Sanctuary, our welfare associate in Angus, Scotland, cared for some 141 horses, ponies and donkeys (2006 - 150), 132 in retirement and 9 on loan. We formed new associations with the Crosskennan Lane Sanctuary in Northern Ireland and the Society for the Welfare of Horses and Ponies in Wales.

Veterinary Services

Our four animal hospitals carried out 95,970 consultations, diagnostic procedures and operations (2006 - 92,963) including 1,673 consultations at our mobile clinics in London (2006 - 2,030)

Students from the Royal Veterinary College under the guidance of their tutors continued to gain practical clinical experience with our clients to our mutual benefit.

In our recently built Grimsby hospital there has been a large increase in the demand for treatment. The hospital also provides out of hours cover for several local private veterinary practices, the income from which helps to sustain our own services.

Veterinary Services (cont)

Our community veterinary nurses continued to provide services to needy pet owners living outside our immediate hospital catchment areas who, through age or infirmity, are unable to bring their animals in for treatment.

The Blue Cross Animal Welfare Grants Scheme gave £90k to 1,154 pet owners in need of financial help towards the cost of veterinary care for their animals (2006 - £37k to 437 pet owners). In view of the obvious need we intend to increase this provision substantially in 2008.

We treated 916 animals in our Bromsgrove welfare clinic in 2007 (2006 - 706), 390 at our new Felixstowe welfare clinic and a further 73 at the new Lewknor welfare clinic. Redevelopment work at our Tiverton and Southampton sites will provide two more welfare clinics in 2008.

Education

Over 100,000 returning, and 650,000 new, visitors sought pet care advice from The Blue Cross through our All About Pets information service www.allaboutpets.co.uk. 647,000 new leaflets (2006 - 740,000) were also downloaded or distributed to visitors at our centres and hospitals and more widely through various veterinary, equine and companion animal events and locations. These leaflets continue to widen in scope and we are confident that they make a significant contribution to improving animal care.

In April 2007, as a new educational initiative, a series of lively and engaging podcasts was introduced onto the website. Users of the site have already downloaded 7,000 of these including 1,500 of the popular "Fireworks and Your Pet" podcast.

Our children's educational programme 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. The programme, presented by volunteers with carefully temperament-tested dogs aims to instil respect for animals and knowledge of how to care for them. We reached 27,399 children this year (2006 - 20,347) through a combination of visits to schools and youth groups and visits by children's groups to Blue Cross centres.

Subsidiary Companies

The Trading Company had a satisfactory year in 2007, in difficult trading conditions, and donated by way of gift its profit of £147k (2006 - £125k) to the Charity. Additional donations received from supporters by the Trading Company and passed directly to the Charity amounted to £446k (2006 - £401k).

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

Connected Charities (cont)

Its mobile clinics in Dublin treated 10,716 animals of needy owners (2006 - 10,305). 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 349 race days during the year (2006 - 319) and now covers all the racecourses in Ireland.

The Society for Companion Animal Studies (SCAS)

The Blue Cross partnership with SCAS continues to promote the benefits of the human-animal bond. Through the Pet Bereavement Support Service (PBSS), volunteers responded to a total of 5,807 phone calls in 2007 (2006 - 2,155), providing support and information to bereaved pet owners. In addition, the Service responded similarly to 579 e-mails (2006 - 610).

We achieved positive outcomes for Dartmoor prisoners who, as part of their rehabilitation, spent time on a SCAS animal assistance programme at The Blue Cross Tiverton Centre.

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 continued active cooperation with other major animal welfare charities sharing knowledge and best practice and coordinating responses to government consultation papers on proposed animal welfare legislation.

FINANCIAL OUTCOME FOR THE YEAR

A summary of the results for the year and the resources deployed at 31 December 2007 is:

	2007	2006
	£'000	£'000
Operating Income	11,331	10,267
Legacy Income	14,063	12,262
	<u>25,394</u>	<u>22,529</u>
 Expenditure	 <u>(21,580)</u>	 <u>(19,678)</u>
 Net Income for the year	 3,814	 2,851
Realised gains on sale of investments	35	151
Net Income transferred to total funds	<u>3,849</u>	<u>3,002</u>
 Unrealised gains on investments in the year	 88	 1,503
 Total Funds at 1 January 2007	 53,337	 48,832
 Total Funds at 31 December 2007	 <u>57,274</u>	 <u>53,337</u>
	2007	2006
	£'000	£'000
Total Funds are deployed and allocated to:		
Land and Buildings, Equipment and other assets	17,617	18,136
Capital expenditure planned by the Board	13,052	11,753
Operating lease commitments	1,051	755
Free Liquid Reserves	25,554	22,693
	<u>57,274</u>	<u>53,337</u>
Number of weeks of budgeted expenditure covered by Free Liquid Reserves	<u>50</u>	<u>51</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 2007 there were 55 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
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 (appointed 20 June 2007)

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:

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 GENERAL PURPOSES COMMITTEE

The Finance and General Purposes Committee (F&GP) is comprised of those Governors set out below. It operates 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
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.

In order to optimise Governors' focus on both our charitable services and support activities, the F&GP Committee was extinguished on 5 December 2007 to be replaced by two new Board committees, a Service Delivery Committee (SEDCO) and a Finance and Support Committee (FISCO), with effect from January 2008.

INVESTMENT POLICY AND PERFORMANCE

The investment portfolio is managed externally by the charity's investment managers on a discretionary basis. The Governors have established appropriate policies and limits within which the charity's investment managers are required to operate.

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. Investment performance is reviewed by the Governors on a quarterly basis with the Charity's investment managers against relevant benchmarks.

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, the level is sufficient but not excessive at 50 weeks (2006 - 51 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 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 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

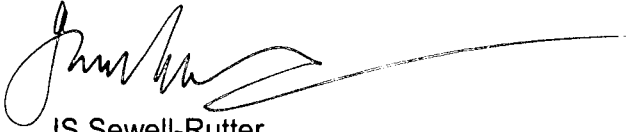
Significant progress was made during the year in the development and implementation of our Volunteer Strategy. As a result, the amount of valuable volunteer time given to the charity has increased considerably. Currently we have about 850 volunteers (2006 - c.600) who have given us nearly 83,000 hours (2006 - c.45,000) of their time during 2007. The work of volunteers complements that of our salaried staff adding considerable value to the charity which is particularly critical in view of the number of new opportunities which the charity wishes to pursue over the next few years. In 2008 we aim to roll out a pilot programme which will test the impact of dedicating additional salaried staff to the recruitment, training and support of volunteers in terms of further increasing volunteer hours and ensuring the best use of those hours for both the charity and our volunteers.

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, administration 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.

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

A handwritten signature in black ink, appearing to read 'JS Sewell-Rutter', with a long horizontal flourish extending to the right.

JS Sewell-Rutter
Secretary

2 April 2008

**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 2007, 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 8, 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 2007 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: 2 April 2008

Consolidated Statement of Financial Activities for the year ended 31 December 2007

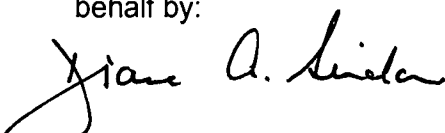
		General Funds £'000	Restricted Funds £'000	Total 2007 £'000	Total 2006 £'000
<u>Incoming Resources from Generated Funds</u>					
	Note				
Voluntary Income:					
Donations and gifts		7,868	292	8,160	7,627
Legacies received		10,015	4,048	14,063	12,262
Activities for generating funds:					
Fundraising		1,449	105	1,554	1,296
Income of Trading subsidiaries	4	147	0	147	125
Investment income	3	1,411	59	1,470	1,215
<u>Other incoming resources</u>					
Net gain on disposal of tangible fixed assets		0	0	0	4
Total Incoming Resources		20,890	4,504	25,394	22,529
<u>Resources Expended</u>					
<u>Charitable activities:</u>					
Animal hospitals and clinics		5,189	2,301	7,490	6,873
Companion animal centres		4,474	2,452	6,926	6,416
Equine welfare		1,858	196	2,054	1,832
Education		912	12	924	785
		12,433	4,961	17,394	15,906
<u>Cost of Generating Funds</u>					
Voluntary Income		2,830	134	2,964	2,729
Fundraising Income		1,067	0	1,067	899
Investment income		55	0	55	46
		3,952	134	4,086	3,674
Governance Costs		100	0	100	98
Total Resources Expended	6	16,485	5,095	21,580	19,678
Net incoming resources for the year before transfers					
		4,405	(591)	3,814	2,851
Transfers between funds		0	0	0	0
Net incoming resources for the year		4,405	(591)	3,814	2,851
Gains on investment assets:					
Total unrealised and realised investment gains		109	14	123	1,654
Net Movement in Funds		4,514	(577)	3,937	4,505
Fund balances brought forward at 1 January 2006		45,122	8,215	53,337	48,832
Fund balances carried forward at 31 December 2007		49,636	7,638	57,274	53,337


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 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
FIXED ASSETS					
Tangible Assets	8		17,617		18,136
Investments	9		<u>21,035</u>		<u>19,020</u>
			38,652		37,156
CURRENT ASSETS					
Stocks	10	64		63	
Debtors	11	1,663		1,358	
Cash at bank and in hand		<u>18,645</u>		<u>16,776</u>	
		20,372		18,197	
CREDITORS: Amounts falling due within one year					
	12	<u>(1,750)</u>		<u>(2,016)</u>	
NET CURRENT ASSETS			<u>18,622</u>		<u>16,181</u>
NET ASSETS			<u>57,274</u>		<u>53,337</u>
Unrestricted funds	13		49,636		45,122
Restricted funds	14		<u>7,638</u>		<u>8,215</u>
TOTAL FUNDS			<u>57,274</u>		<u>53,337</u>

The financial statements were approved by the Board on 2 April 2008 and signed on its behalf by:

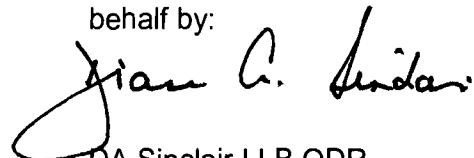

DA Sinclair LLB QDR
Chairman



JMI Reed FCA
Chairman
Finance and Support Committee

Company Balance Sheet at 31 December 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
FIXED ASSETS					
Tangible Assets	8		17,617		18,136
Investments	9		<u>21,035</u>		<u>19,020</u>
			38,652		37,156
CURRENT ASSETS					
Stocks	10	64		54	
Debtors	11	1,802		1,403	
Cash at bank and in hand		<u>18,462</u>		<u>16,720</u>	
		20,328		18,177	
CREDITORS: Amounts falling due within one year	12	<u>(1,706)</u>		<u>(1,996)</u>	
NET CURRENT ASSETS			<u>18,622</u>		<u>16,181</u>
NET ASSETS			<u>57,274</u>		<u>53,337</u>
Unrestricted funds	13		49,636		45,122
Restricted funds	14		<u>7,638</u>		<u>8,215</u>
TOTAL FUNDS			<u>57,274</u>		<u>53,337</u>

The financial statements were approved by the Board on 2 April 2008 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 2007	2007 £'000	2006 £'000
Net cash inflow from operating activities	2,603	2,714
Investment income	1,470	1,215
Capital expenditure	(312)	(1,144)
Net movement in investment funds	(1,892)	(360)
Increase/(Decrease) in cash	<u>1,869</u>	<u>2,425</u>

Reconciliation of Operating surplus to Net cash inflow from operating activities

Net incoming resources for the year	3,814	2,851
Depreciation	831	814
(Surplus) on sale of fixed assets/ investments	0	(4)
(Increase)/Decrease in stocks	(1)	14
(Increase) in debtors	(305)	(316)
(Decrease)/Increase in creditors	(266)	570
Investment income	(1,470)	(1,215)
Net cash inflow from operating activities	<u>2,603</u>	<u>2,714</u>

Analysis of cashflows for headings netted in the Cashflow Statement

Investment income

Investment income received & receivable	572	492
Interest received & receivable	898	723
	<u>1,470</u>	<u>1,215</u>

Capital expenditure

Purchase of tangible fixed assets	(312)	(1,152)
Sale of tangible fixed assets	0	8
	<u>(312)</u>	<u>(1,144)</u>

Investment Funds

Purchase of investments	(4,540)	(3,834)
Sale of investments	2,648	3,474
Net movement on investment funds	<u>(1,892)</u>	<u>(360)</u>

Analysis of changes in net funds

	At 1 Jan 2007 £'000	Changes £'000	At 31 Dec 2007 £'000
Net cash:			
Cash held by Investment Managers	55	381	436
Short term deposits ¹	14,600	1,400	16,000
Cash in hand	2,121	88	2,209
	<u>16,776</u>	<u>1,869</u>	<u>18,645</u>

¹ Placed with approved Standard & Poors AAA-rated institutions

Notes to the Consolidated Accounts for the year ended 31 December 2007

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 2007 (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 2007 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

	2007 £'000	2006 £'000
The net income for the year is stated after charging:		
Depreciation	831	814
Gains on disposals of tangible fixed assets	0	4
Auditors remuneration	<u>20</u>	<u>18</u>

3. INCOME FROM INVESTMENTS

	2007 £'000	2006 £'000
Investment income received & receivable	572	492
Interest received & receivable	898	723
	<u>1,470</u>	<u>1,215</u>

Notes to the Consolidated Accounts for the year ended 31 December 2007 (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	2007 £'000	2006 £'000
Turnover	262	233
Cost of Sales	(82)	(75)
Gross Profit	180	158
Administrative Expenses	(33)	(33)
Profit on ordinary activities	147	125
Tax on profit on ordinary activities	0	0
Profit on ordinary activities after taxation	147	125
Retained profit brought forward	0	0
Gifted to The Blue Cross	(147)	(125)
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	Year to 31 Dec 2007 £'000	Year to 31 Dec 2006 £'000
Turnover	196	953
Cost of Sales	(196)	(953)
Profit on ordinary activities	0	0
Tax on profit on ordinary activities	0	0
Profit on ordinary activities after taxation	0	0
Retained Profit for the financial year	0	0

Notes to the Consolidated Accounts for the year ended 31 December 2007 (cont)

6. ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff Costs £'000	Other Costs £'000	Dep'n £'000	2007 Total £'000	2006 Total £'000
Direct charitable expenditure					
Animal hospitals and clinics	4,461	2,787	242	7,490	6,873
Companion animal centres	3,256	3,272	398	6,926	6,416
Equine welfare	902	989	163	2,054	1,832
Education	281	642	1	924	785
	<u>8,900</u>	<u>7,690</u>	<u>804</u>	<u>17,394</u>	<u>15,906</u>
Costs of Generating Funds					
Voluntary Income	620	2,328	16	2,964	2,729
Fundraising Income	393	663	11	1,067	899
Investment Income	0	55	0	55	46
	<u>1,013</u>	<u>3,046</u>	<u>27</u>	<u>4,086</u>	<u>3,674</u>
Governance costs	<u>32</u>	<u>68</u>	<u>0</u>	<u>100</u>	<u>98</u>
Total	<u>9,945</u>	<u>10,804</u>	<u>831</u>	<u>21,580</u>	<u>19,678</u>

Staff costs include £1,896k (2006 - £1,731k) and Other Costs include £2,467k (2006 - £2,477k), 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

	2007 Group £'000	2006 Group £'000
Wages and salaries	8,761	7,917
Social security costs	816	722
Other pension costs	368	337
	<u>9,945</u>	<u>8,976</u>

Notes to the Consolidated Accounts for the year ended 31 December 2007 (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:

	2007 Group Number	2006 Group Number
Animal hospitals and clinics	147	139
Companion animal centres	170	163
Equine welfare	46	38
Education	10	9
Generating voluntary income	21	11
Generating fundraising income	14	14
Governance	1	1
	<u>409</u>	<u>375</u>

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

	2007 Group Number	2006 Group Number
£50,001 - £60,000	4	7
£60,001 - £70,000	5	4
£70,001 - £80,000	0	1
£80,000 - £90,000	1	0
£90,001 - £100,000	0	1
£100,000 - £110,000	1	0

Contributions made in the year for the provision of money purchase pension schemes totalled £62,370 for these 11 employees (2006 - £68,795 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.

Total expenses incurred during the year for 14 Governors was £18,704 (2006 - 13 Governors £18,882).

Trustee Indemnity Insurance was provided in the year at a total cost of £2,400 to the Charity (2006 - £2,414).

Notes to the Consolidated Accounts for the year ended 31 December 2007 (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 2007	22,866	1,001	155	24,022
Additions	252	29	31	312
Disposals	0	(646)	(32)	(678)
At 31 December 2007	23,118	384	154	23,656
Depreciation				
At 1 January 2007	4,966	798	122	5,886
Charge for the year	713	93	25	831
Disposals	0	(646)	(32)	(678)
At 31 December 2007	5,679	245	115	6,039
Net Book Value at 31 December 2007	17,439	139	39	17,617
Net Book Value at 31 December 2006	17,900	203	33	18,136

The freehold land and buildings are shown at cost with the exception of 4 properties shown at valuation on 17 December 1952 in the sum of £7,482. The Governors are of the opinion that had the depreciation been based on original cost, the depreciation charge would not have been materially different.

The Net Book Value at 31 December 2007 represents fixed assets used for:

	2007 Net Book Value £'000	2006 Net Book Value £'000	2007 Insurance Value £'000
Animal hospitals and clinics	7,091	7,336	11,323
Companion animal centres	6,944	7,218	14,970
Equine welfare	2,955	3,003	4,144
Education	30	32	46
Generating voluntary income	357	238	94
Generating fundraising income	238	306	84
Governance	2	3	2
	17,617	18,136	30,663

Notes to the Consolidated Accounts for the year ended 31 December 2007 (cont)

9. FIXED ASSET INVESTMENTS

	Group and Company 2007 £'000	Group and Company 2006 £'000
Market value at 1 January 2007	19,020	17,008
Disposals at valuation	(2,616)	(3,346)
Acquisitions at cost	4,540	3,834
Net gains on revaluation	91	1,524
Market value at 31 December 2007	<u>21,035</u>	<u>19,020</u>
The above investments consist of:		
Fixed Interest securities	2,535	2,374
Other shares and securities	18,500	16,646
Investments in subsidiary undertakings	0	0
	<u>21,035</u>	<u>19,020</u>
Historical cost as at 31 December 2007	<u>17,045</u>	<u>15,012</u>

As at 17 March 2008 the market value of our investment portfolio had declined by £1,958K compared with its market value at 31 December 2007.

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 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Veterinary drugs for charitable purposes	64	54	64	54
Goods for resale	0	9	0	0
Total stocks	<u>64</u>	<u>63</u>	<u>64</u>	<u>54</u>

Notes to the Consolidated Accounts for the year ended 31 December 2007 (cont)

11. DEBTORS

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Income Tax Recoverable	333	207	333	207
Trade debtors	174	172	0	0
Amounts owed by group undertakings	0	0	216	221
Other debtors	629	544	618	540
Prepayments and accrued income	307	195	307	195
Loan to The Blue Cross (D&B) Co Ltd	0	0	108	0
Loan to the Irish Blue Cross	220	240	220	240
	<u>1,663</u>	<u>1,358</u>	<u>1,802</u>	<u>1,403</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Trade creditors	887	853	842	840
Amounts owed to group undertakings	0	0	38	0
Social security and other taxes	239	223	231	219
Other creditors	59	86	59	86
Accruals	565	854	536	851
	<u>1,750</u>	<u>2,016</u>	<u>1,706</u>	<u>1,996</u>

13. FUNDS

Group	Unrestricted £'000	Restricted £'000	2007 Total £'000	2006 Total £'000
Balance at 1 January 2007	45,122	8,215	53,337	48,832
Net movement in funds	4,514	(577)	3,937	4,505
Balance at 31 December 2007	<u>49,636</u>	<u>7,638</u>	<u>57,274</u>	<u>53,337</u>
Represented by:				
Tangible Fixed Assets	12,086	5,531	17,617	18,136
Investments	20,049	986	21,035	19,020
Other Net Assets	(23)	0	(23)	(595)
Cash	17,524	1,121	18,645	16,776
	<u>49,636</u>	<u>7,638</u>	<u>57,274</u>	<u>53,337</u>

Notes to the Consolidated Accounts for the year ended 31 December 2007 (cont)

13. FUNDS (continued)

Company	Unrestricted £'000	Restricted £'000	2007 Total £'000	2006 Total £'000
Balance at 1 January 2007	45,122	8,215	53,337	48,832
Net movement in funds	4,514	(577)	3,937	4,505
Balance at 31 December 2007	<u>49,636</u>	<u>7,638</u>	<u>57,274</u>	<u>53,337</u>
Represented by:				
Tangible Fixed Assets	12,086	5,531	17,617	18,136
Investments	20,049	986	21,035	19,020
Other Net Assets	160	0	160	(539)
Cash	17,341	1,121	18,462	16,720
	<u>49,636</u>	<u>7,638</u>	<u>57,274</u>	<u>53,337</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 2007	963	7,252	8,215
Incoming funds in the year	4,112	406	4,518
Expenditure in the year	(4,158)	(937)	(5,095)
Balance carried forward at 31 December 2007	<u>917</u>	<u>6,721</u>	<u>7,638</u>
Represented by:			
Land and Buildings	0	5,531	5,531
Investments	35	951	986
Cash	882	239	1,121
	<u>917</u>	<u>6,721</u>	<u>7,638</u>

Notes to the Consolidated Accounts for the year ended 31 December 2007 (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.

	2007 £'000	2006 £'000
Capital Funds		
Victoria Hospital	3,608	3,909
Bromsgrove Adoption Centre	332	439
Grimsby Hospital	1,591	1,718
Northiam Adoption Centre	361	395
Subsidiary Charities	301	301
Merton Hospital Vet equipment	58	60
Thirsk Adoption Centre	263	84
Veterinary Equipment	71	74
Mobile Clinic	73	77
Burford Adoption Centre	27	161
Other purposes	36	34
	<u>6,721</u>	<u>7,252</u>
Income Funds		
Community Nurse & Mobile clinic running costs	23	10
Burford Adoption Centre	176	393
Northiam Adoption Centre	209	227
Southampton Adoption Centre	0	68
Sandbach Endowment Fund	35	35
Phoenix Horse Rescue Fund	9	9
Thirsk Adoption Centre running costs	376	82
Horse Ambulance running costs	48	9
Felixstowe Adoption Centre running costs	41	130
	<u>917</u>	<u>963</u>
	<u>7,638</u>	<u>8,215</u>

Notes to the Consolidated Accounts for the year ended 31 December 2007 (cont)

15. CONNECTED AND SUBSIDIARY CHARITIES

Connected Charities

The Irish Blue Cross	2007 £'000	2006 £'000
Grant in the year	<u>43</u>	<u>50</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)	2007 £'000	2006 £'000
Grant in the year	<u>85</u>	<u>79</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 2008, any small funds held by its Subsidiary Charities.

Notes to the Consolidated Accounts for the year ended 31 December 2007 (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 £368k (2006 - £336k). 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 497 (2006 - 376) 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 £12.2m (2006 - £10.9m).

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:	2007	2006
	£'000	£'000
Thirsk Companion Animal Centre	1,500	0
Tiverton Companion Animal Centre	273	0
Grimsby Animal Hospital	0	46
Cambridge Centre - new cattery	0	17
Burford Centre - stables refurbishment	0	4
Rolleston Equine Welfare Centre	0	77
	<u>1,773</u>	<u>144</u>

Notes to the Consolidated Accounts for the year ended 31 December 2007 (cont)

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

Expenditure planned over next 5 years but not contracted for:	2007 £'000	2006 £'000
Animal hospitals and clinics	600	0
Companion animal centres	8,322	10,420
Equine welfare	2,357	1,189
	<u>11,279</u>	<u>11,609</u>
 Total Planned Expenditure	 <u>13,052</u>	 <u>11,753</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 an annual 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 2007 is £119k (2006 - £123k).

22. OTHER FINANCIAL COMMITMENTS

At 31 December 2007 the Charity was committed to making the following payments under operating leases in the year to 31 December 2008:

	2007 £'000	2006 £'000
Operating leases which expire:		
Within 1 year	46	50
Within 2 to 5 years	269	180
More than 5 years	21	22
	<u>336</u>	<u>252</u>

23. LOAN TO TRADING SUBSIDIARY

At the balance sheet date a loan of £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.