

# The Guide Dogs for the Blind Association Report and Financial Statements **2007**



Moving forward together



**Guide Dogs**

# The Guide Dogs for the Blind Association

## Company Details

### Headquarters and Registered Office

Hillfields, Burghfield Common  
Reading, Berkshire RG7 3YG

Company limited by guarantee registered  
in England and Wales

No. 291646

Charity registered in England and Wales  
No. 209617

Charity registered in Scotland  
SC038979

### Patrons

HRH Princess Alexandra  
The Hon Lady Ogilvy GCVO

### Auditors

Horwath Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH

### Bankers

HSBC Bank plc  
25 High Street, Windsor  
Berkshire SL4 1LN

### Solicitors

Wilson's Solicitors LLP  
Steynings House  
Summerlock Approach  
Salisbury  
Wiltshire SP2 7RJ

Narbarro Nathanson  
Lacon House  
Theobald's Road  
London WC1X 8RW

Stone King LLP  
28 Ely Place  
London EC1N 6TD

Taylor Wessing  
Carmelite  
50 Victoria Embankment  
Blackfriars  
London EC4Y 0DX

### Investment Fund Managers

Newton Investment Management Ltd  
150 Queen Victoria Street  
London EC4V 4LA

Standard Life Investments Ltd  
1 George Street  
Edinburgh EH2 2LL

### Members of Council

Tony Aston OBE, DL, Chairman <sup>1468</sup>  
Neal King Hon FRCVS, Deputy Chairman <sup>2457</sup>  
Bruce Gordon ACA, Hon. Treasurer <sup>234</sup>  
Roy Benjamin DipSW, MSocSc <sup>126</sup>  
Prof. John Hilbourne JP, BSc, DSc, FRSA, HFRCSLT <sup>15</sup>  
Elizabeth Hubbick BA, DipL, CFCIPD <sup>46</sup>  
Norma Johnston BA  
Richard Lane BSc <sup>1</sup>  
Rowena Lusty LLB, PGCE <sup>278</sup> – elected 17 July 2007  
Ken McFarlane FCA <sup>37</sup>  
Elaine Noad DAA, DASS, CQSW <sup>1</sup>  
Alan Park FRICS, MCIQB, MBA <sup>37</sup> – elected 17 July 2007  
Miles Stanford MD, FRCOphth <sup>56</sup>  
Dr Michael Townsend BSc(Econ), MSc, PhD <sup>125</sup>

### Chief Executive

Bridget Warr MBA, RSW, DASS, DSA

### Key to Members of the Council

- 1 Guide Dog Owner
- 2 Member of Audit Committee
- 3 Member of Investment Committee
- 4 Member of Remuneration Committee
- 5 Member of Research Committee
- 6 Member of Nominations Committee
- 7 Member of Property Committee
- 8 Member of National Client Representatives Committee

# Report of the Council

## for the year ended 31 December 2007

**The Council of The Guide Dogs for the Blind Association has pleasure in presenting its Report and audited consolidated Financial Statements for the year ended 31 December 2007. The Council's Report and Financial Statements have been prepared in accordance with the provisions of the Statement of Recommended Practice (SORP) – Accounting and Reporting by Charities (revised 2005).**

A more comprehensive summary of the services and achievements of the charity during 2007 is included in Guide Dogs' Annual Review.

## 1 Structure, governance and management

The Guide Dogs for the Blind Association operates under the abbreviated name of Guide Dogs. Guide Dogs is a charitable company limited by guarantee, established on 30 August 1934. It is governed by a Memorandum and Articles of Association, which were last amended on 17 July 2007.

### Members of Council

The names of the Members of Council serving as at May 2008, who are Directors of the company and Trustees of the charity, are shown on the inside cover of this Report.

Members of Council are elected by the members of Guide Dogs at the Annual General Meeting or elected by the Council to fill a vacancy as it arises from time to time. Recruitment takes place through a sub committee of Council with clear

terms of reference, and candidates are sought to provide Council with a full range of relevant skills relating to the business of the charity. Prior to appointment, prospective Members of Council receive an induction pack and briefing which is designed to provide them with an understanding of the roles and responsibilities they will be required to fulfil.

Two new Trustees were elected at the Annual General Meeting in 2007 – Rowena Lusty and Alan Park. Bruce Gordon, John Hilbourne, Richard Lane and Ken McFarlane were re-elected. Barry Weatherill retired from the post of Chariman on 27 February 2007 and Paul Dudman resigned on 17 July 2007. Following changes to the Articles of Association in 2007, Members of Council serve a three-year term of office before retiring and are eligible to stand for re-election for two further three-year terms of office. Exceptionally, a fourth and final term may be served if there is a specific need, defined by Council.

On appointment, all new Members of Council have personalised induction programmes. These are designed to cover the main operational framework of the charity, the current financial position and future plans and objectives. New Trustees are also encouraged to visit one of the four Guide Dog Training Schools and other district teams, and to attend a staff and volunteer induction workshop.

Members of Council do not receive any remuneration for their services to the charity.

### Their responsibilities

The Members of Council are responsible for preparing the annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Members of Council to prepare Financial Statements for each financial year. Under that law the Members of Council have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of the affairs of the charitable company, and of the surplus or deficit of the charitable company for that period. In preparing these Financial Statements, the Members of Council are required to:

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

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

The Members of Council are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in England and Wales governing the preparation and dissemination of Financial Statements and

other information included in annual Reports may differ from legislation in other jurisdictions.

The Members of Council at the time of approval of this Report have confirmed that:

- so far as the Members of Council are aware, there is no relevant audit information of which the charitable company's auditors are unaware; and
- the Members of Council have taken all the steps that ought to have been taken in order to be aware of any information needed by the charitable company's auditors in connection with preparing this Report, and to establish that the charitable company's auditors are aware of that information.

The Members of Council have overall responsibility for the activities of Guide Dogs, advised by the Chief Executive and the Corporate Team.

There are currently seven Committees within the Council:

- Audit;
- Investment;
- Remuneration;
- Research;
- Nominations;
- Property;
- National Client Representatives.

The Council sets clear terms of reference for the Committees and receives regular reports on their activities. The guide dog owners' National Client Representatives Committee provides a focus for user involvement and consultation within Guide Dogs. A Governance Task Force addresses governance issues of the charity. Trustees have further involvement through a system of some 12 portfolios addressing specific areas of Guide Dogs' activities.

## Management

The Chief Executive and Corporate Team are responsible for the day-to-day management of Guide Dogs, acting under delegated authority given to them by the Council.

## Members of the Corporate Team

**Bridget Warr**, Chief Executive

**Jennifer Cook**, Director of Planning and Performance Improvement

**Jane Coope**, Director of Human Resources and Diversity (from 28.01.08)

**Jayne George**, Director of Fundraising (from 3.12.07)

**Stephen Kirk**, Director of Operations

**Tom Pey**, Director of External Affairs

**John Whiterow**, Director of Finance and Support Services (from 31.03.08)

Other members of the Corporate Team during 2007 included: Unji Mathur, Director of Human Resources and Diversity; Sarah McKenna, Acting Director of Human Resources and Diversity; Rosemary Gilbert, Interim Director of Fundraising and Lech Zwierzynski, Interim Director of Finance and Support Services.

## Related parties

Guide Dogs owns the entire issued share capital of its five subsidiary undertakings:

- The Guide Dogs for the Blind Association (Trading Company) Limited is the charity's trading subsidiary.
- Guide Dogs UK Limited is a design and build company developing the new Guide Dog Training Schools.
- GDBA Community Care Services Limited, GDBA (Pension Fund Trustees) Limited and Guide Dogs Limited were dormant during 2007.

The financial performance of these subsidiaries is disclosed in Note 16 to the Financial Statements.

## Associated relationships

Guide Dogs is one of the founder members of the International Federation of Guide Dog Schools for the Blind, and its Chair is currently Guide Dogs' Chief Executive, Bridget Warr. The Federation sets global standards and promotes international good practice in the breeding and training of dogs, and the education of their owners, in existing and newly formed schools.

Guide Dogs works closely with other charities that focus on the needs of blind and partially-sighted people, especially the RNIB and Action for Blind People. It has formed a Memorandum of Understanding with the National Association of Local Societies for Visually Impaired People (NALSVI), which contains clauses on how the organisations will cooperate and work together to better support the needs of blind and partially-sighted people.

Guide Dogs also has close relationships on a contract basis with local authorities and local voluntary organisations and with other assistance dog organisations, including chairing the umbrella organisation Assistance Dogs UK.

## Risk management and internal control

Council reviews the major risks the charity faces as part of the annual business planning process, and has established effective and efficient systems to manage these. It is satisfied that the arrangements for managing these risks, combined with the annual review of internal financial controls and the reserves policy, will ensure that sufficient resources are available to maintain services for the foreseeable future. The terms of reference for the Audit Committee were reviewed and rewritten in 2007, giving more focus and emphasis to risk management.

Performance against the objectives set out in the annual business plan and management of major risks is monitored regularly by Council. Council also ensures that systems for internal financial control are in place. These systems are reviewed as part of a three year rolling internal

audit programme. The systems are designed to safeguard the charity's assets, ensure that proper accounting records are maintained and provide reliable financial information.

Key elements of Guide Dogs' control systems include the following:

- Council meets at least five times a year. A number of matters (including management remuneration and the approval of bank mandates) are specifically reserved for their approval.
- There is a clear organisational structure with appropriate levels of accountability and reporting lines.
- Council approves the delegation of financial authority, through the Chief Executive, to the rest of the charity, with specific limits imposed at each level.
- The annual budget and any financial commitment in excess of £400,000 require approval by the full Council.
- A revised risk management framework was developed based on the risk management standard, and was implemented throughout Guide Dogs during 2007. This is used to identify and review new and current major business risks and prioritise them based in terms of impact and probability of occurrence, and then identify and implement efficient controls to manage them.
- Throughout 2007 the organisation continued to monitor on average eight high-level risks. These included financial risks relating to voluntary income generation, potential loss of legacy income and an increased pension deficit. Other risks included working with young people and vulnerable adults and a failure to recruit and maintain qualified and skilled staff. In Operations, risks related to poor animal health and an inadequate supply of dogs.

Guide Dogs will continue to build on the risk management framework and embed it into the culture of the charity.

## 2 Objectives and activities

**The Objects** for which Guide Dogs is established, as set out in the Memorandum of Association, are to promote the health, equality and independence of blind and partially-sighted people by:

- providing guide dogs for blind and partially-sighted people;
- training and educating blind and partially-sighted people in the use of such guide dogs;
- the relief, prevention and cure of vision impairment; and
- providing such services, facilities and activities for the benefit of blind and partially-sighted people as the Association shall from time to time deem fit.

### Strategic aims

Guide Dogs has five strategic aims which will ensure the delivery and achievement of the vision and mission:

- Improving and expanding the guide dog service.
- Extending services to children and young people, to more people from black and minority ethnic communities and to more people with disabilities additional to their visual impairment.
- Defining and campaigning for better rehabilitation services for all blind and partially-sighted people.
- Campaigning for equal access for guide dog owners and other blind and partially-sighted people.
- Helping to reduce or slow down the onset of blindness, and promoting eye care.

### Primary activities

**The guide dog service:** at the heart of the charity is giving independent mobility to blind and partially-sighted people through the provision of a guide dog.

The breeding of most guide dogs is carried out at the Tollgate breeding and puppy aptitude centre in Warwickshire. Initial guide dog training takes place at one of the four Guide Dog Training Schools in Forfar, Bolton, Leamington and Redbridge.

The mobility and partnership training is delivered through a network of 28 district teams located across the United Kingdom.

**Vision Support Services (VSS):** a range of rehabilitation services is provided to help blind and partially-sighted people of all ages. This includes long cane mobility training and communication and daily living skills training. Central to the VSS strategy is the provision of services on a contract basis to local authorities and local voluntary organisations on a cost recovery basis.

**Policy development, advocacy and campaigns:** Guide Dogs lobbies, campaigns and influences policies and legislation on issues that affect guide dog owners and other blind and partially-sighted people. These include access to services, independent travel, shared surfaces, street obstacles, provision of rehabilitation services and raising awareness of eye care issues. Campaigning is based on surveys of the views and aspirations of blind and partially-sighted people.

**Fundraising and marketing:** in addition to receiving substantial funds through legacies, Guide Dogs generates income for the delivery of its services through a range of fundraising initiatives. These include direct marketing, individual giving, community and branch activity, events, corporate relationships and legacy marketing, trusts and in memoriam gifts.

## Research activities

Guide Dogs provides grants for research and supports activities in the following areas:

- Ophthalmic research – i) to maintain and enhance residual vision, ii) epidemiology to inform the development of organisational strategy and policy.

- Canine research – to inform, preserve and enhance performance in Guide Dogs' dogs, that improves and maintains the effectiveness of those dogs in their lifecycle.
- Service development and technology – to fund advances in technology, services and environments that advance mobility for blind and partially-sighted people.

Grant themes are identified by a broad-based internal group, and applications for grant funding within these themes are subject to internal and external scientific and ethical review. Following this process, the research groups agree project funding but with final approval reserved for the Research Committee.

## 3 Achievements and performance

### The guide dog service

At the end of 2007 there were 4,466 guide dog owners in the UK (4,555 at end of 2006). During the year 690 people were trained and qualified with a guide dog (748 in 2006). The numbers of clients trained declined in 2007 as a result of trained staff undertaking unprecedented levels of supervision and 'hands on' training of a significantly increased number of apprentices and trainees. These additional technical staff, once qualified, will provide the highest number of trained staff since the early 1990s. This investment in training of new technical staff will begin to repay in 2009. An incremental improvement is expected in both output and productivity as investments in Information Technology systems also begin to release more time for technical staff to undertake training of both dogs and clients.

Guide Dogs' success rate for dogs completing training in 2007 was 67 per cent (74 per cent in 2006). The rate is lower than in the previous two years, although still above target. The continuing investment in the capacity and quality of breeding will help drive the success rates up once more,

as the major contributor to the reduced rates has been the relatively high numbers of bought-in stock coming through the system. The success rate of externally bred stock is 20 per cent lower than Guide Dogs' own bred stock.

Following on from the Ipsos MORI survey of guide dog owners on behalf of Guide Dogs during 2006, a new post-class client questionnaire has been trialled and now introduced nationally. It is administered outside the Operations division, ensuring impartiality. High ratings, in excess of 95 per cent, have been awarded by clients, and very valuable information for improving training has been gathered.

In 2007 the new, world-class Guide Dog Training School at Forfar was opened to much acclaim from staff, clients and supporters. It is hoped that a similar new facility will be completed at Gibfield Park (near Bolton) to replace the current Bolton facility during 2009.

Guide Dogs is continuing to plan a transformation of its breeding, whelping and puppy aptitude and research facilities at Tollgate.

The charity continues to work to expand the guide dog service in some very key areas in line with its strategic aims. It has worked successfully to qualify three people under 16 years of age with a guide dog. The partnerships have proved to be transforming for the young people concerned, and have provided invaluable learning and training opportunities for Guide Dogs. It is also pressing ahead with initiatives to train and prepare clients with challenges in addition to visual impairment for guide dog ownership.

Guide Dogs' continuing work with ethnic minority representative groups is enabling its services to gain more acceptance within their communities, and it hopes to transform this acceptance into a number of applicants becoming ready for guide dog ownership.

## **Vision Support Services**

The Vision Support Services team continues to provide very high quality rehabilitation

interventions, through contracts with local authorities, to both adults and children.

At the end of 2007, Guide Dogs had 25 Vision Support Services (VSS) contracts. This remains at a similar level to 2006.

The rehabilitation contract opportunity is greater than Guide Dogs' ability to supply. At present it is not seeking to take new contracts, but is planning to do so in 2008 in partnership with future training provision for new rehabilitation workers. Guide Dogs' reputation for quality service continues to be very high.

## **Training of visual impairment support workers**

In line with Guide Dogs' revised strategy on the direct education and training of rehabilitation workers, the School of Vision and Rehabilitation Studies in Glasgow was closed last year, marking the charity's withdrawal from the provision of rehabilitation worker training in the UK. It still offers Continuing Professional Development (CPD) programmes, and is actively developing its marketing of these.

Guide Dogs is working with six universities across the UK which are prepared to offer rehabilitation worker courses. It has been awarded a £75,000 grant under Section 9 of the Social Work, Scotland Act 1968, to secure training for rehab workers in Scotland, working closely with stakeholders in their country to bring this to a successful conclusion in 2008.

## **Policy development, advocacy and campaigns**

Guide Dogs' 75th anniversary events in 2006 provided the opportunity to successfully highlight issues facing guide dog owners.

Guide Dogs undertook seminal research to establish the mobility and rehabilitation needs of blind and partially-sighted people in the UK. The survey, one of the largest ever undertaken in this field, examined how well blind and

partially-sighted people were functioning given existing levels of services. The result has been used to develop rehabilitation services across the UK in conjunction with the Rehabilitation Project Group. This group, led by Guide Dogs, includes RNIB, Action for Blind People, NALSVI (National Association of Local Societies for Visually Impaired People) and Vision 20/20 UK as well as a range of government and local government departments and, most importantly, blind and partially-sighted people.

Guide Dogs established that shared space street designs as currently conceived are dangerous for blind and partially-sighted people. In 2008 it will continue to press this point with government and local governments. It is determined that its voice, on the behalf of blind and partially-sighted people, will be heard.

Guide Dogs' 'Access for All' campaign continues to have considerable success. For example, Transport for London is installing visual and audio announcement systems on all its buses by 2012. Guide Dogs has recognised many stores located in different towns and cities across the UK for their work in making shopping a pleasurable experience for guide dog owners.

Three new Policy Officers have been appointed in Scotland, Wales and Northern Ireland to develop strategic partnerships and further the aims of Guide Dogs in their respective countries.

## **Fundraising and legacies**

Guide Dogs' total voluntary income rose to a record £60.0 million in 2007. The greater part of this increase came from legacies: up compared to 2006 by £8.7 million (29 per cent) to £39.0 million. A total of 1,532 legacies were left to Guide Dogs in 2007, with over half of these being of less than £5,000 each.

Fundraised gross income reached £21 million in 2007, an increase of 2.5 per cent on 2006, whilst the cost of generating that voluntary income was held below the previous year's level.

During 2007 the Fundraising department was restructured to support future fundraising plans to double net income over the next five years,

having already doubled over the past five years. It is a testament to the commitment of the Fundraising team that these results were achieved in spite of the upheaval that the restructure caused.

Guide Dogs' volunteers working in branches throughout the UK achieved a five per cent increase in income despite the impact that the wet summer had on fundraising events. This result reflects the dedication and loyalty of the volunteer fundraisers to Guide Dogs.

## **Ophthalmic research and healthy eyes**

Under the banner of 'Healthy Eyes', Guide Dogs has continued to fund ophthalmic research, and to campaign for more government and other resources to be invested in ophthalmic research. In addition, the charity informs and educates the public, particularly children and young people, about how to look after their eyes. Guide Dogs ran a successful eye health awareness-raising 'Shades Day' in 2007 with 1495 schools taking part.

The charity is currently supporting 15 ophthalmic research projects, with an additional four projects commencing in 2008. The projects aim to maintain and enhance residual vision, and undertake epidemiology studies which will inform the development of strategy and policy.

## **Canine research**

Guide Dogs funds and supports an in-house programme of canine research that will enhance the understanding of guide dog health and behaviour, and impact in a positive way on the future quality of its dogs. This research plays a key role in reducing the number of unsuitable dogs produced and identifying these at an early stage. The research programme is implemented in partnership with veterinary, scientific and commercial colleagues. At the end of 2007 Guide Dogs published its first ever comprehensive report on its canine research programme.

Projects in 2008 include the continuation of the investigation of general canine reproductive issues to improve the efficiency of the breeding programme, puppy aptitude testing, puppy nutrition and obesity in working guide dogs. Issues surrounding the daily routines of our working dogs will also be investigated, in response to feedback from our clients and volunteers. A further project will look at the genetics of temperament in our guide dog breeds.

## Service development and technology

These research projects aim to support and evaluate technological devices to assist the mobility of blind and partially-sighted people. In addition to technological developments, Guide Dogs will continue to research areas that will aid its campaigning, such as shared space design concepts, attacks on guide dogs and training for sighted guides.

## Employees

The average number of full time equivalent staff employed during 2007 was 920 (2006: 836). There has been planned growth in the Operations, Fundraising and Planning and Performance Improvement directorates, and small increases in other areas.

A rolling programme reviewing employment policies ensures the charity remains compliant with legislation and that the policies are fit for purpose. A joint working group approach to this policy review has ensured consultation and buy-in from staff and managers. During 2007, managers received training on newly updated policies (grievance, disciplinary, sickness absence, capability and bullying and harassment) as well as attending workshops on financial management, risk management, data protection and appraisal skills.

Diversity training was rolled out to managers during 2007 and will be delivered to all staff during 2008.

Guide Dogs has an equality and diversity policy. Included in this policy is a commitment to seek to implement 'positive action' strategies that will actively encourage applicants who are blind or partially-sighted, disabled, and of black and ethnic minority origin to apply for job opportunities within the organisation. The charity seeks to encourage the recruitment, retention and career development of blind and partially-sighted people, as well as those from under-represented groups from as wide a range as possible of ethnic, cultural, religious and social backgrounds, and those with disabilities. This policy covers all colleagues who work at Guide Dogs on a paid or voluntary basis, all consultants, all service users including guide dog owners and all contractors, with the intention of maximising equality in the workforce.

The updated staff consultation framework was implemented at the end of 2007 as planned. The new structure incorporates national and local forums which meet quarterly to discuss and consult on issues relating to employment and organisational performance. Training was provided to the newly elected staff representatives and work is ongoing to ensure the new framework becomes fully established during 2008. National Client Representatives meet quarterly with the Chairman, Chief Executive and other senior staff.

A project led jointly by Human Resources and Operations has been reviewing the way in which Guide Dogs trains and accredits learning for its technical staff. This work is ongoing and will move Guide Dogs towards a more flexible, modular approach to its technical training pathways. A phased implementation is anticipated from late 2008.

A Safeguarding Manager was appointed in 2007, whose role is to raise awareness of safeguarding issues in relation to children and vulnerable adults amongst all staff, and to manage any issues arising. New safeguarding and whistle-blowing policies and codes of conduct have been approved, and training will be delivered across Guide Dogs during 2008.

## Volunteers

The continued success of Guide Dogs owes much to the support the charity receives from an estimated 10,000 volunteers, who are involved in all aspects of its work. While volunteers help to look after its dogs as puppy walkers, dog boarders and brood stock holders, the majority of volunteers work within the Guide Dogs branch network, which remains a significant source of income.

A major project was started in 2007 to review the way Guide Dogs engages, manages and utilises its volunteer resource. This involved a survey and series of focus groups which captured the views of volunteers and other key stakeholders. The review has highlighted a number of key areas for improvement, and a project plan for 2008 has been developed and agreed.

## Subsidiaries' achievements

The Trading Company operates a mail order catalogue and branch trading, and receives corporate sponsorship income on behalf of Guide Dogs. The profit donated to Guide Dogs under deed of covenant was £0.3 million in 2007 (£0.269 million in 2006).

The principal activity of Guide Dogs UK Ltd is, as a design and build company, to develop new Guide Dog Training Schools on behalf of Guide Dogs. Its activities are expected to increase over the next five years. In 2007 the new, world-class Guide Dog Training School at Forfar was opened and a similar new facility is planned to be completed at Gibfield Park (near Bolton) to replace the current Bolton facility in 2009. Guide Dogs is continuing to plan a transformation of its breeding, whelping and puppy aptitude and research facilities at Tollgate.

## 4 Plans for the future

**Four** priorities have been identified which must be delivered during 2008 to ensure organisational improvement and the continued delivery of Guide Dogs' overall strategy. The main focus will be on the first three priorities (listed below), to ensure that stakeholders and clients remain at the forefront of all that Guide Dogs does. The fourth priority will ensure that the delivery of services to the client is underpinned by the appropriate skills, systems, processes, policies and procedures.

- **Improving and developing capacity within the guide dog service for future expansion**

In 2008 Guide Dogs will continue to recruit and train additional staff, and maintain or improve its targets and current performance in all areas of the guide dog service. Guide Dogs is aiming for an annual guide dog partnership output of 900 per year by 2016, which requires ongoing investment.

Guide Dogs will continue the work that commenced in 2007 to seek ways to extend the service to communities and groups that it currently does not serve well. This will include black and minority ethnic communities, young people and people with multiple disabilities. In 2008 the charity aims to provide more dual dogs and continue its engagement with the Muslim Council of Great Britain.

- **Defining and campaigning for better rehabilitation services for all blind and partially-sighted people**

In 2007 a significant amount of work has been undertaken under the auspices of the Rehabilitation Project Group (RPG), and a huge amount of data generated. The consultation exercise has shown that the vast majority of respondents support the broad thrust of the RPG's proposals. The next challenge is to bring about the changes that RPG members and other stakeholders believe are necessary to

bring about the improvements that are required. Guide Dogs will be concentrating on this throughout 2008, and will be ensuring that recommended changes are reflected in its own rehabilitation and mobility services.

- **Valuing our volunteers**

Guide Dogs values the contribution that all its volunteers make in defining the success of the organisation. In 2007 diagnostic data was gathered to underpin a holistic review of volunteering within the organisation. In 2008 it is aimed to fully define the volunteer management needs of Guide Dogs, and ensure that effective systems, structures, and other resources are in place to meet those needs. This will ensure that volunteers are managed more effectively and that Guide Dogs has a skilled, motivated and fully engaged volunteer workforce to meet its requirements.

- **Ensuring Guide Dogs is 'fit for purpose' to deliver the strategy**

Specific objectives have been set in the following areas that will ensure Guide Dogs can deliver its first three priorities:

- 'Working smarter' project – a high-level review of Guide Dogs' current processes to ensure that all that it does is efficient and effective.
- The rebuild of the Bolton Guide Dog Training School, at Gibfield Park.
- The Tollgate Appeal and the development of the rebuild project.
- Continuation of the development and roll-out of new internal information systems to support fundraising and all elements of the guide dog operational production.
- Management development.

performance reflects the success of its fundraising initiatives and effective budgetary controls over expenditure. It also allows Guide Dogs to confidently pursue its strategic objectives of improvement, expansion and extension of the guide dog service, together with campaigning and other activities for the benefit of guide dog owners and other blind and partially-sighted people.

Whilst costs have been held to approximately the levels of 2006, income has been boosted by record legacy income of £39.0 million (£30.3 million in 2006).

Capital gains on investments and on strategic property programme disposals have been lower than in 2006, but a reversal of the pension scheme actuarial loss trend by £32.4 million has contributed to an overall net increase in total fund balances of £45.7 million (£7.0 million in 2006).

## Income

The £6.9 million increase in total income to £71.9 million in 2007 has been achieved largely through voluntary income, which has increased by £9.3 million to £60.0 million. The voluntary income increase is derived mainly from legacy income, which increased by £8.7 million to a record £39.0 million.

Other incoming resources, which reflect the gains on strategic property disposals (and are therefore dependent on the timing of those disposals), decreased by £3.7 million to £3.2 million.

## Expenditure

Total resources expended in 2007 decreased slightly by £2.6 million to £62.3 million. This reflects exceptional advocacy expenditure relating to the charity's 75th anniversary in 2006, vacancies in Fundraising during the departmental restructuring exercise in 2007, and the accounting policy for grant payments which resulted in significant multi-year grant commitments being recorded in 2006.

## 5 Financial review

### Overview

We are pleased to report that 2007 has seen a continuation of the strong financial performance of Guide Dogs in recent years. This strong

## Tangible fixed assets

The changes in tangible fixed assets during the year are summarised in Note 8 to the Financial Statements. Guide Dogs is making a significant investment in new Guide Dog Training Schools, with the first building in Forfar completed in early 2007, and the build at Gibfield Park (near Bolton) commencing in 2008.

The disposal of surplus properties has continued in 2007. The sales of properties at Hindhead, Heathfield and Northampton Road, Forfar generated £3.6 million of proceeds, which is being reinvested in the new Guide Dog Training Schools.

## Designated funds

Guide Dogs maintains three designated funds:

The **Fixed Assets Fund** has increased from £24.8 million to £27.0 million during the year and comprises property and other assets held to fulfil the objects of the charity.

The **Service Development and Technology Fund** funds advances in technology, services and environments that promote mobility for blind and partially-sighted people. The year-end balance on this fund is £3.3 million. Accounting rules require the full cost of a multi-year grant to be charged in the year of commitment.

The **Ophthalmic Research Fund** provides funding to institutions involved in research into the prevention and cure of conditions that affect people's sight. This comprises work to maintain and enhance residual vision, and epidemiology to inform the development of organisational strategy and policy. The year-end balance on this fund was £80,000 (£150,000 at the end of 2006). Accounting rules require the full cost of a multi-year grant to be charged in the year of commitment.

The Service Development and Technology Fund and the Ophthalmic Research Fund are planned to be spent during the current 'Moving Forward Together' strategy period which ends in 2010.

## Restricted funds

These are funds that have been donated to Guide Dogs which are subject to specific conditions.

## Permanent endowment funds

These are funds that have been donated with the condition that the capital must remain in perpetuity. Income from the investment of these funds may be used for unrestricted purposes.

## Reserves

Total funds at the end of 2007 stood at £154.2 million (£108.5 million at the end of 2006). The increase incorporates a reduction of the pension deficit from £57.6 million to £21.9 million – an improvement of £35.7 million (see Note 17). Net free reserves at the end of 2007 amounted to £122.4 million (£79.7 million at the end of 2006).

Guide Dogs has a long term commitment to each guide dog owner. The average working life of a guide dog is six and a half years, and clients may require up to eight dogs during their lifetime. The maintenance expenditure on buildings and supporting infrastructure is fixed in the medium term and, together with the training requirements, this results in the necessity for a long term cost planning horizon. Furthermore, the charity's income is derived primarily from voluntary giving, particularly legacies, which may fluctuate significantly.

In order to mitigate the risk to the provision of this long term commitment to each guide dog owner, the Council has concluded that the free reserves should be maintained at a level of the equivalent of at least two years' running costs of the core guide dog service. This target continues to be achieved.

## Investment policy

Guide Dogs has undertaken a major capital asset replacement programme which will continue over several (five to seven) years, and it aims to break even on its routine operations over the period. The current investment policy is to ensure that, at the end of that period, investments will be at the same level (after drawdowns and adjusted for inflation) as at the beginning of the period. In order to achieve this outcome at appropriately low risk and low volatility in reserves, a target of LIBOR + 4 per cent over three year rolling periods has been established for the fund managers. In addition, the mandate seeks to avoid downside risks by avoiding underperforming returns in any 12 month period. Trustees consider this to be a prudent policy which challenges managers to produce excellent results.

Investment managers were selected for contrasting styles in order to further minimise risk, and the investments are currently separately managed on an 'unconstrained' investment basis by Standard Life Investments and Newton Investment Management Limited in the ratio 75:25, under the control of Guide Dogs' Investment Committee. In 2006, Guide Dogs obtained the approval of the Charity Commission for the use of derivatives in the investment portfolio; these are set out in Note 9 to the Financial Statements.

During 2007 the market value of investments has increased from £136.2 million to £144.7 million (6.2 per cent) with nil overall net drawdowns and after investment management fees of £680,000. Investment income of £5.4 million was generated and there have been capital gains totalling a net £3.7 million. Against the benchmark target return (LIBOR + 4 per cent) of 10.2 per cent for the

year, Standard Life Investments achieved 4.6 per cent and Newton Investments 15.5 per cent – giving an overall total return of 7.0 per cent. This was 0.8 per cent above the WM Charity Fund Average return of 6.2 per cent.


## The Guide Dogs pension scheme

The latest formal actuarial assessment was at 31 December 2006. A separate valuation for FRS 17 purposes valued the deficit in the pension scheme at 31 December 2007 at £21.9 million (2006: £57.6 million). (See Note 17 to the Financial Statements.)

Guide Dogs has agreed to contribute additional annual amounts of £3.42 million over the next eight years to fund this deficit.

In line with FRS 17 requirements, Guide Dogs' pension obligations are shown as part of the balance sheet.

This report was approved by the Members of Council on 20 May 2008 and signed on its behalf by:



**Chairman:** Tony Aston

**Date:** 20 May 2008

# Independent Auditors' Report

## to the members of The Guide Dogs for the Blind Association

**We have audited the group and parent charitable company financial statements (“the Financial Statements”) of The Guide Dogs for the Blind Association for the year ended 31 December 2007, which comprise the Consolidated Statement of Financial Activities, the Consolidated and Company Balance Sheets, the Consolidated Cashflow Statement and the related notes. These Financial Statements have been prepared in accordance with the accounting policies set out therein.**

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

## Respective responsibilities of Council Members and auditors

The responsibilities of the Members of Council (who are also the charitable company Trustees for the purposes of charity law) for preparing the Report of the Council and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Council Members’ Responsibilities.

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Report of the Council is consistent with the Financial Statements.

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

We read other information contained in the Report of the Council, and consider whether it is consistent with the audited Financial Statements. We consider the implications for our Report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

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

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

## Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and the parent charitable company as at 31 December 2007 and of the group's incoming resources and application of resources, including the group's income and expenditure for the year then ended;

- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Council is consistent with the Financial Statements.

*Horwath Clark Whitehill LLP*

**Horwath Clark Whitehill  
LLP**

Chartered Accountants  
Registered Auditors

St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

Date: 20 May 2008

# The Guide Dogs for the Blind Association

## Consolidated Statement of Financial Activities

for the year ended 31 December 2007 (incorporating an Income and Expenditure Account)

	Notes	General funds £000	Designated funds £000	Restricted funds £000	Endowment funds £000	Total 2007 £000	Total 2006 £000
<b>Incoming resources from generated funds</b>							
Voluntary income	1	52,324	–	7,694	26	60,044	50,766
Activities for generating funds		1,845	–	–	–	1,845	1,458
Investment income		5,757	–	–	–	5,757	4,704
<b>Incoming resources from charitable activities</b>	<b>1</b>	1,067	–	–	–	1,067	1,256
<b>Other incoming resources</b>	<b>1</b>	3,171	–	–	–	3,171	6,824
<b>Total incoming resources</b>		<b>64,164</b>	<b>–</b>	<b>7,694</b>	<b>26</b>	<b>71,884</b>	<b>65,008</b>

	Notes	General funds £000	Designated funds £000	Restricted funds £000	Endowment funds £000	Total 2007 £000	Total 2006 £000
<b>Resources expended</b>							
<b>Costs of generating funds:</b>	<b>3</b>	12,849	–	–	–	<b>12,849</b>	15,302
<b>Net incoming resources available for charitable application</b>		51,315	–	7,694	26	<b>59,035</b>	49,706
<b>Charitable activities by objective:</b>							
Provision of guide dogs		34,269	–	6,809	–	<b>41,078</b>	39,067
Provision of visual impairment support services		1,239	–	–	–	<b>1,239</b>	1,549
Training of visual impairment support workers		270	–	–	–	<b>270</b>	256
Service development and technology		–	3	–	–	<b>3</b>	552
Grants payable in furtherance of the charity's objects	<b>6</b>	–	72	–	–	<b>72</b>	1,896
Advocacy		5,500	–	–	–	<b>5,500</b>	5,270
<b>Total charitable expenditure</b>		<b>41,278</b>	<b>75</b>	<b>6,809</b>	<b>–</b>	<b>48,162</b>	<b>48,590</b>
<b>Governance costs</b>		<b>1,258</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,258</b>	<b>985</b>
<b>Total resources expended</b>	<b>4</b>	<b>55,385</b>	<b>75</b>	<b>6,809</b>	<b>–</b>	<b>62,269</b>	<b>64,877</b>
<b>Net incoming resources before transfers</b>		8,779	(75)	885	26	<b>9,615</b>	131
Gross transfers between funds	<b>13</b>	(2,220)	2,220	–	–	<b>–</b>	–
<b>Net incoming resources before other recognised gains</b>		<b>6,559</b>	<b>2,145</b>	<b>885</b>	<b>26</b>	<b>9,615</b>	<b>131</b>

	Notes	General funds £000	Designated funds £000	Restricted funds £000	Endowment funds £000	Total 2007 £000	Total 2006 £000
<b>Other recognised gains</b>							
Net realised gains on investments		3,802	–	–	–	3,802	12,959
<b>Net income for the financial year</b>		10,361	2,145	885	26	13,417	13,090
Actuarial gain / (loss) on defined benefit pension scheme	17	32,395	–	–	–	32,395	(1,738)
Net unrealised losses on investments	9a	(115)	–	–	–	(115)	(4,318)
<b>Net increase in funds</b>		42,641	2,145	885	26	45,697	7,034
Fund balances brought forward at 1 January		79,748	28,246	386	140	108,520	101,486
<b>Fund balances carried forward at 31 December</b>		122,389	30,391	1,271	166	154,217	108,520

The net income for the financial year under the historical cost accounting convention is £12,116,000 (2006 net income of £11,523,000).

*The accounting policies on pages 24 to 26 and the notes on pages 27 to 52 form part of these Financial Statements.*

# The Guide Dogs for the Blind Association

## Consolidated and Company Balance Sheets

for the year ended 31 December 2007

	Notes	Group 2007 £000	Charity 2007 £000	Restated group 2006 £000	Restated charity 2006 £000
<b>Fixed assets</b>					
Tangible assets	<b>8</b>	<b>26,978</b>	<b>27,174</b>	24,758	25,486
Investments	<b>9</b>	<b>144,737</b>	<b>145,237</b>	136,248	136,748
		<b>171,715</b>	<b>172,411</b>	161,006	162,234
<b>Current assets</b>					
Stocks	<b>10</b>	<b>251</b>	<b>146</b>	287	159
Debtors	<b>11</b>	<b>6,253</b>	<b>6,340</b>	8,150	7,809
Money market deposits		<b>1,706</b>	<b>1,706</b>	–	–
Cash at bank and in hand		<b>3,847</b>	<b>2,837</b>	5,122	4,173
		<b>12,057</b>	<b>11,029</b>	13,559	12,141

	Notes	Group 2007 £000	Charity 2007 £000	Restated group 2006 £000	Restated charity 2006 £000
<b>Creditors: amounts falling due within one year</b>					
Bank overdrafts		35	35	193	193
Due to subsidiary companies		–	–	–	5
Trade creditors		2,428	2,167	2,151	1,902
Other creditors		350	350	353	353
Tax and social security		601	601	539	539
Accruals and deferred income		2,653	2,524	3,754	3,746
		6,067	5,677	6,990	6,738
<b>Net current assets</b>		5,990	5,352	6,569	5,403
<b>Total assets less current liabilities</b>		177,705	177,763	167,575	167,637
<b>Long term liabilities</b>	12	1,594	1,594	1,408	1,408
<b>Net assets excluding pension scheme</b>		176,111	176,169	166,167	166,229
<b>Pension fund deficit</b>	17	21,894	21,894	57,647	57,647
<b>Net assets</b>		154,217	154,275	108,520	108,582

	Notes	Group 2007 £000	Charity 2007 £000	Restated group 2006 £000	Restated charity 2006 £000
<b>Funds:</b>					
<b>General funds – Guide Dogs services</b>		<b>143,408</b>	<b>143,269</b>	137,241	136,579
<b>plus revaluation reserve</b>		<b>875</b>	<b>875</b>	154	150
<b>less pension reserve deficit</b>		<b>(21,894)</b>	<b>(21,894)</b>	(57,647)	(57,647)
<b>Net free reserves</b>		<b>122,389</b>	<b>122,250</b>	79,748	79,082
<b>Designated funds</b>					
Fixed assets		<b>26,978</b>	<b>27,174</b>	24,758	25,486
Service development and technology		<b>3,335</b>	<b>3,335</b>	3,338	3,338
Ophthalmic research		<b>78</b>	<b>79</b>	150	150
		<b>30,391</b>	<b>30,588</b>	28,246	28,974
<b>Total unrestricted funds</b>		<b>152,780</b>	<b>152,838</b>	<b>107,994</b>	<b>108,056</b>
Restricted funds		<b>1,271</b>	<b>1,271</b>	386	386
Endowment funds		<b>166</b>	<b>166</b>	140	140
<b>Total funds</b>	<b>13</b>	<b>154,217</b>	<b>154,275</b>	<b>108,520</b>	<b>108,582</b>

The Financial Statements were approved and authorised for issue by the Board and were signed on its behalf on 20 May 2008 by:



**Chairman: Tony Aston**



**Deputy Chairman: Neal King**

*The accounting policies on pages 24 to 26 and the notes on pages 27 to 52 form part of these Financial Statements.*

# The Guide Dogs for the Blind Association

## Consolidated Cashflow Statement

for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
<b>Net cash inflow / (outflow) from operating activities</b>	<b>a</b>	<b>7,006</b>	<b>(8,229)</b>
<b>Capital expenditure and financial investment</b>			
Payments for tangible fixed assets		(5,319)	(8,977)
Proceeds from sale of tangible fixed assets		3,704	8,435
Acquisition of investments		(61,361)	(130,033)
Proceeds from sale of investments		62,845	139,938
		(131)	9,363
<b>Cash outflow before management of liquid resources</b>	<b>b</b>	<b>6,875</b>	<b>1,134</b>
<b>Management of liquid resources</b>			
Decrease / (increase) in cash deposits:			
Investment deposits – endowments		(26)	–
Investment deposits – other funds		(6,260)	(1,706)
Money market deposits		(1,706)	3,307
		(7,992)	1,601
<b>(Decrease) / increase in cash in the year</b>		<b>(1,117)</b>	<b>2,735</b>

2007  
£000

2006  
£000

## Notes to Cashflow Statement

### a. Reconciliation of net resources expended to net cash outflow from operating activities

Statement of Financial Activities: net incoming resources	9,615	131
Depreciation	2,345	1,879
Actuarial gain / (loss) on pension scheme	32,395	(1,738)
Net gain on disposal of tangible fixed assets	(2,950)	(6,824)
Increase / (decrease) in stocks	36	(6)
Increase / (decrease) in debtors	1,897	(2,682)
(Increase) / decrease in creditors	(36,332)	1,011
<b>Net cash inflow / (outflow) from operating activities</b>	<b>7,006</b>	<b>(8,229)</b>

### b. Reconciliation of increase in cash to movement in total cash balances

Increase / (decrease) in cash	(1,117)	2,735
Cash used to increase deposits	7,992	(1,601)
Increase in total cash balances	6,875	1,134
Total cash balances at 1 January	13,274	12,140
<b>Total cash balances at 31 December</b>	<b>20,149</b>	<b>13,274</b>

	At 31 Dec 2007 £000	Cashflow £000	At 31 Dec 2006 £000
<b>c. Analysis of changes in total cash balances</b>			
Cash at bank and in hand	3,847	(1,275)	5,122
Bank overdrafts	(35)	158	(193)
	3,812	(1,117)	4,929
<b>Cash deposits:</b>			
Investment deposits – endowments	166	26	140
Investment deposits – other funds	14,465	6,260	8,205
Money market deposits	1,706	1,706	–
<b>Total cash balances</b>	<b>20,149</b>	<b>6,875</b>	<b>13,274</b>

*The accounting policies on pages 24 to 26 and the notes on pages 27 to 52 form part of these Financial Statements.*

# Accounting policies

**The principal accounting policies adopted in the preparation of these Financial Statements are as follows:**

## **i. Basis of accounting**

**a.** The Financial Statements of the Association have been prepared using the historical cost convention, as modified by the revaluation of certain assets, and are drawn up in line with the Companies Act 1985, and in accordance with the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' published in March 2005 and applicable accounting standards.

**b.** The group accounts consolidate the accounts of the charity and its subsidiary trading companies. As provided by Section 230 of the Companies Act 1985, no separated income and expenditure account is presented for the charity. The subsidiaries' profits are transferred to the charity under Gift Aid.

## **ii. Incoming resources**

The income of fundraising branches and other donations is accounted for on a receivable basis.

Income from raffles and draws is accounted for at the time of cash receipt.

Legacies are accounted for when notified, providing the amount can be reliably ascertained and that ultimate receipt is reasonably certain.

This includes pecuniary legacies with a life interest held by another party. In some cases this may result in the income being accrued for many years before actual receipt of the cash.

In the case of residual legacies, income is not accounted for until the estate's accounts are finalised and received by Guide Dogs as it is only then that the amount can be reliably ascertained.

Investment income is accounted for on an accruals basis.

Gifts in kind and donated services and facilities are recognised within incoming resources and expenditure at an estimate of the equivalent open market value of the donated services or goods.

## **iii. Resources expended**

Expenditure is accounted for on an accruals basis.

Grants payable are recognised when a legal or operationally binding commitment has been made to make the grant payment.

The costs of generating funds include the direct costs incurred by the function, the direct costs of staff employed in the function, together with a share of overheads calculated in proportion to the number of staff employed in this area.

The costs of charitable activities include the direct costs incurred on the activity, the direct costs of staff employed on the activity, together with a share of overheads calculated in proportion to the number of staff employed on the activity. Support costs are included in the costs of activities in furtherance of the charity's objects, in order to present the full cost of those activities.

Support costs have been allocated between charitable activity and the cost of generating funds on the basis of proportionate full time equivalent head count for each cost centre. The allocation of overhead and support costs is analysed in Note 4.

Governance costs relate to the direct costs associated with the constitutional and statutory requirements of the charity and include the costs of internal and external audit, secretariat and other constitutional related costs.

The cost of irrecoverable Value Added Tax is included within expenditure.

#### iv. Tangible fixed assets

Tangible fixed assets, with an historic cost of £1,000 or more excluding Value Added Tax, are stated in the balance sheet at cost, with the exception of freehold land and buildings which are stated at valuation (see below), less depreciation, on a straight line basis, at the following annual rates:

Freehold land	Nil
Freehold buildings	5 per cent
Furniture and equipment	10 per cent – 20 per cent
Motor vehicles	25 per cent
Computers	33 per cent

Assets in the course of construction are not depreciated.

Business systems development costs are expensed.

Guide Dogs applied Financial Reporting Standard (FRS) 15 'Tangible Fixed Assets' for the first time in the year ended 31 December 2000. Guide Dogs is taking advantage of the transitional provisions within FRS 15 not to revalue the freehold land and buildings on a periodic basis in the future, therefore this valuation has not been updated. Accordingly, depreciation is being charged, as noted above, to write off the valuation of the freehold buildings over their estimated remaining useful lives.

Leasehold properties are depreciated over their expected useful lives on a straight line basis.

#### v. Investments

Investments are stated at market value at the balance sheet date. Derivatives are marked to market or included at valuations using

appropriate standard industry methods. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

#### vi. Stocks

Stocks have been valued at the lower of cost and net realisable value.

#### vii. Pension costs

Guide Dogs operates a defined benefit pension scheme for the majority of its employees. The pension charge in relation to this scheme is based on a full actuarial valuation dated 31 December 2006.

#### viii. Operating leases

Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred.

#### ix. Fund balances and transfers

The charity has three permanent endowments, which the Trustees are required to retain as capital in perpetuity, and are not entitled to be spent. Income arising from these funds is wholly unrestricted.

Unrestricted income funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the charitable objects.

Unrestricted funds include designated funds where the Trustees, at their discretion, have created a fund for a specific purpose.

Transfers of funds from unrestricted funds to designated funds are approved by Council.

Further details of each fund are disclosed in Note 13.

## **x. Endowment funds**

These are permanent funds, which the Trustees are required to retain as capital in perpetuity, and are not entitled to be spent. Income arising from these funds is unrestricted income.

## **xi. Unfunded pension liability**

The unfunded pension liability is recognised in accordance with our actuarial valuation and released to the Statement of Financial Activities each year in line with the pension payments made. The liability is in relation to ex-employees.

## **xii. Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. All exchange gains and losses are recognised in the Statement of Financial Activities.

# The Guide Dogs for the Blind Association

## Notes to the Consolidated Financial Statements

for the year ended 31 December 2007

### 1. Incoming resources

	General funds £000	Designated funds £000	Restricted funds £000	Endowment funds £000	Total 2007 £000	Total 2006 £000
<b>Incoming resources from generated funds</b>						
<b>Voluntary income:</b>						
Community fundraising	6,149	–	–	–	6,149	7,094
Donor based fundraising	7,768	–	421	–	8,189	6,618
Raffles and draws	5,256	–	–	–	5,256	5,297
Corporate and trust income	1,294	–	41	–	1,335	1,367
Legacies	31,780	–	7,232	26	39,038	30,301
Donated services and facilities	3	–	–	–	3	–
Gifts in kind	74	–	–	–	74	89
	<b>52,324</b>	<b>–</b>	<b>7,694</b>	<b>26</b>	<b>60,044</b>	<b>50,766</b>
<b>Activities for generating funds</b>	<b>1,845</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,845</b>	<b>1,458</b>
<b>Investment income</b>	<b>5,757</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,757</b>	<b>4,704</b>

	General funds £000	Designated funds £000	Restricted funds £000	Endowment funds £000	Total 2007 £000	Total 2006 £000
<b>Incoming resources from charitable activities:</b>						
Sale of rehabilitation services under contract	771	–	–	–	771	813
Funding for the training of rehabilitation workers	48	–	–	–	48	41
Membership income	11	–	–	–	11	10
Ancillary trading	237	–	–	–	237	392
	<b>1,067</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,067</b>	<b>1,256</b>
<b>Other incoming resources</b>	<b>3,171</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,171</b>	<b>6,824</b>
<b>Total incoming resources</b>	<b>64,164</b>	<b>–</b>	<b>7,694</b>	<b>26</b>	<b>71,884</b>	<b>65,008</b>

## 2. Investment income

	Total 2007 £000	Total 2006 £000
Listed investments	5,349	4,431
Unit trusts	159	133
Cash deposits	249	140
	<b>5,757</b>	<b>4,704</b>

### 3. Costs of generating funds

	General funds £000	Designated funds £000	Restricted funds £000	Endowment funds £000	Total 2007 £000	Total 2006 £000
<b>Costs of generating voluntary income:</b>						
Community fundraising	2,944	–	–	–	2,944	2,968
Donor based fundraising	2,970	–	–	–	2,970	3,778
Raffles and draws	1,802	–	–	–	1,802	3,189
Corporate and trust income	544	–	–	–	544	726
Fundraising development and administration	1,703	–	–	–	1,703	2,038
Legacy marketing and administration	1,091	–	–	–	1,091	825
<b>Fundraising trading: costs of goods sold and other costs</b>	1,116	–	–	–	1,116	1,204
<b>Investment management fees</b>	679	–	–	–	679	574
	<b>12,849</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,849</b>	<b>15,302</b>

## 4. Analysis of resources expended

	Staff costs £000	Depreciation £000	Premises £000	Guide dog costs £000	Other costs £000	Total 2007 £000	Total 2006 £000
<b>Costs of generating funds</b>							
<b>Costs of generating voluntary income:</b>							
Community fundraising	1,919	47	187	–	791	2,944	2,968
Donor based fundraising	351	3	237	–	2,379	2,970	3,778
Raffles and draws	24	–	1	–	1,777	1,802	3,189
Corporate and trust income	464	14	16	–	50	544	726
Fundraising development and administration	1,387	18	41	–	257	1,703	2,038
Legacy marketing and administration	432	9	16	–	634	1,091	825
<b>Fundraising trading: costs of goods sold and other costs</b>	179	4	–	–	933	1,116	1,204
<b>Investment management fees</b>	–	–	–	–	679	679	574
	4,756	95	498	–	7,500	12,849	15,302

	Staff costs £000	Depreciation £000	Premises £000	Guide dog costs £000	Other costs £000	Total 2007 £000	Total 2006 £000
<b>Charitable expenditure:</b>							
Provision of guide dogs	25,826	2,132	3,006	6,669	3,445	41,078	39,067
Provision of visual impairment support services	1,066	22	43	–	108	1,239	1,549
Training of visual impairment support workers	45	15	5	–	205	270	256
Service development and technology	–	3	–	–	–	3	552
Grants payable	55	1	1	–	15	72	1,896
Advocacy	2,740	62	153	–	2,545	5,500	5,270
	29,732	2,235	3,208	6,669	6,318	48,162	48,590
<b>Governance costs</b>	876	15	14	–	353	1,258	985
<b>Total resources expended</b>	<b>35,364</b>	<b>2,345</b>	<b>3,720</b>	<b>6,669</b>	<b>14,171</b>	<b>62,269</b>	<b>64,877</b>

Guide Dogs pays a premium for liability insurance of £13,400 (2006 £7,250) for Trustees in respect of their duties as Council Members (Company Directors).

	Total 2007 £000	Total 2006 £000
<b>Governance costs include:</b>		
Audit fee	78	68
Taxation	24	23
	<b>102</b>	<b>91</b>

Operating leases amounting to £532,000 (2006 £658,000) were included within total resources expended for the year.

During 2007 Guide Dogs received £777,000 (2006 £813,000) in income from mobility contracts and spent £887,000 (2006 £1,113,000) on these contracts.

## 5. Support costs

	<b>Management £000</b>	<b>Finance £000</b>	<b>IS £000</b>	<b>HR £000</b>	<b>Total 2007 £000</b>
Fundraising	188	151	334	203	<b>876</b>
Raffles and draws	2	2	4	2	<b>10</b>
Corporate and trust income	30	24	54	33	<b>141</b>
Legacy marketing and administration	33	27	59	36	<b>155</b>
Fundraising development and administration	77	62	136	82	<b>357</b>
Provision of guide dogs	2,051	1,650	3,635	2,207	<b>9,543</b>
Provision of VSS	73	59	130	79	<b>341</b>
Grant payments	3	2	5	3	<b>13</b>
Advocacy	157	126	279	169	<b>731</b>
	<b>2,614</b>	<b>2,103</b>	<b>4,636</b>	<b>2,814</b>	<b>12,167</b>

Total support costs for the period are included within 'other costs' in Note 4.

## 6. Grants payable

	2007 No.	Individuals 2007 £000	Institutions 2007 £000	Support costs 2007 £000	Total 2007 £000	2006 No.	2006 £000
<b>Ophthalmic research</b>							
Queen's Univ Belfast	–	–	–	–	–	2	275
The Rayne Institute	–	–	–	–	–	1	162
Inst of Ophthalmology – UCL	–	–	–	–	–	3	159
Moorfields Eye Hospital	–	–	–	–	–	1	158
Bristol Eye Hospital	–	–	–	–	–	1	149
Univ of Liverpool	1	–	9	–	9	1	136
Guy's & St Thomas'	–	–	–	–	–	1	118
St Thomas' Hospital	–	–	–	–	–	1	106
Royal Col Ophthalmologists	–	–	–	–	–	1	80
Univ of Newcastle	–	–	–	–	–	1	49
Inst of Ophthalmology – UCL	–	–	–	–	–	1	129
Birmingham Eye Centre	–	–	–	–	–	2	198
Inst of Child Health – UCL	–	–	–	–	–	1	177
Support costs	–	–	–	63	63	–	–
<b>Total</b>	<b>1</b>	<b>–</b>	<b>9</b>	<b>63</b>	<b>72</b>	<b>17</b>	<b>1,896</b>

Ophthalmic research grants are awarded to maintain and enhance residual vision and to invest in epidemiological studies which will inform the development of organisational strategy and policy. In accordance with accounting policies, the full cost of the ophthalmic research grant is charged in the year in which commitment is made.

## 7. Trustees and employees

The Trustees and persons connected with them have not received, obtained or waived any remuneration or other financial benefits for the year directly or indirectly from Guide Dogs. 14 Trustees were reimbursed a total of £12,200 travelling and subsistence expenses (2006 14; £11,500).

	2007 £000	2006 £000
<b>Staff costs</b>		
Wages and salaries	24,240	22,215
Social security costs	1,867	1,706
Other pension costs excluding pension scheme actuarial loss (see Note 17)	9,257	9,137
	<b>35,364</b>	<b>33,058</b>

The average number of persons employed by Guide Dogs during the year ended 31 December 2007 is shown below. The numbers are calculated to reflect monthly rather than annual average calculations. A proportion are employed on a part-time basis, and for this reason the following analysis by job function is also expressed in full-time equivalents.

	2007 Total	Full time equivalents	2006 Total	Full time equivalents
Fundraising and legacies	134	120	134	120
Provision of guide dogs	693	633	629	577
Provision of visual impairment support services	25	21	31	26
Training of visual impairment support workers	–	–	3	3
Service development and technology	1	1	1	1
Advocacy	28	28	17	17
Management, administration and clerical (indirect)	119	113	93	88
Domestic and ancillary (indirect)	4	4	4	4
	<b>1,004</b>	<b>920</b>	<b>912</b>	<b>836</b>

Pension contributions were paid into Guide Dogs' defined benefit scheme for the year on behalf of 742 of the 1004 employees shown above.

Number of employees with emoluments (excluding one-off redundancy payments) exceeding £60,000:

	2007 No.	2006 No.
£60,001 – £70,000	9	4
£70,001 – £80,000	3	5
£80,001 – £90,000	2	4
£90,001 – £100,000	1	1
£100,001 – £110,000	–	1
£110,001 – £120,000	1	–
	<b>16</b>	<b>15</b>

Pension contributions were paid into Guide Dogs' defined benefit scheme for the year on behalf of 15 of the employees with emoluments in excess of £60,000.

## 8. Tangible fixed assets

	Freehold properties £000	Leasehold properties £000	Assets in the course of construction £000	Furniture, equipment, vehicles and computers £000	Total £000
<b>Group balance sheet</b>					
<b>Cost or valuation:</b>					
1 January 2007	18,131	733	7,564	10,711	<b>37,139</b>
Additions	7,779	–	(4,409)	1,949	<b>5,319</b>
Disposals	(1,013)	–	–	(1,838)	<b>(2,851)</b>
<b>31 December 2007</b>	<b>24,897</b>	<b>733</b>	<b>3,155</b>	<b>10,822</b>	<b>39,607</b>

	Freehold properties £000	Leasehold properties £000	Assets in the course of construction £000	Furniture, equipment, vehicles and computers £000	Total £000
<b>Depreciation:</b>					
1 January 2007	4,672	370	–	7,339	12,381
Provision for year	746	37	–	1,562	2,345
Disposals	(323)	–	–	(1,774)	(2,097)
31 December 2007	5,095	407	–	7,127	12,629
<b>Net book value 31 December 2007</b>	<b>19,802</b>	<b>326</b>	<b>3,155</b>	<b>3,695</b>	<b>26,978</b>
<b>Net book value 31 December 2006</b>	<b>13,459</b>	<b>363</b>	<b>7,564</b>	<b>3,372</b>	<b>24,758</b>

	Freehold properties £000	Leasehold properties £000	Assets in the course of construction £000	Furniture, equipment, vehicles and computers £000	Total £000
<b>Charity balance sheet</b>					
<b>Cost or valuation:</b>					
1 January 2007	18,131	733	8,299	10,303	37,466
Additions	7,779	–	(4,942)	1,949	4,786
Disposals	(1,013)	–	–	(1,838)	(2,851)
<b>31 December 2007</b>	<b>24,897</b>	<b>733</b>	<b>3,357</b>	<b>10,414</b>	<b>39,401</b>

	Freehold properties £000	Leasehold properties £000	Assets in the course of construction £000	Furniture, equipment, vehicles and computers £000	Total £000
<b>Depreciation:</b>					
1 January 2007	4,672	370	–	6,938	11,980
Provision for year	746	37	–	1,561	2,344
Disposals	(323)	–	–	(1,774)	(2,097)
31 December 2007	5,095	407	–	6,725	12,227
<b>Net book value 31 December 2007</b>	<b>19,802</b>	<b>326</b>	<b>3,357</b>	<b>3,689</b>	<b>27,174</b>
<b>Net book value 31 December 2006</b>	<b>13,459</b>	<b>363</b>	<b>8,299</b>	<b>3,365</b>	<b>25,486</b>

The majority of freehold properties were revalued as at 31 December 1998 by Weatherall Green & Smith, Chartered Surveyors, on an Open Market Value basis in accordance with guidelines issued by the Royal Institution of Chartered Surveyors.

If freehold properties had not been revalued they would have been included in the charity balance sheet at a cost of £42.6m (2006 £45.1m) and a net book value of £9.0m (2006 £10.3m). The group's and charity's depreciation charge for the year would have been £2,048,000 (2006 £2,159,000) compared with the actual charge of £746,000 (2006 £592,000) based on the revalued amounts.

The Head Office freehold property was valued by external valuers, Alder King Property Consultants, as at 6 March 2006 on the basis of Existing Use Value in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards Manual. The external valuer does not consider there to be any significant difference between the Existing Use Value and the Open Market Value as at the date of the valuation. The external valuer responsible for the inspection and preparation of the valuation was Mr R Wheeler BSc FRICS.

Prior to the impairment review, the Head Office freehold property was last valued as at 31 December 1998 at Open Market Value. The depreciated historical cost of the property prior to the impairment review was £2.5m. The discount rate used in the calculation to arrive at the Value in Use was 4.5 per cent.

## 9. Investments

	Group 2007 £000	Restated group 2006 £000	Charity 2007 £000	Restated charity 2006 £000
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### a. Movement in investments during the year

Market value at 1 January	136,248	136,620	136,748	137,120
Acquisitions at purchase price	61,361	130,032	61,361	130,032
(Decrease) / increase in cash deposits	6,286	892	6,286	892
Disposals at opening market value	(59,043)	(126,978)	(59,043)	(126,978)
Net increase on revaluation	(115)	(4,318)	(115)	(4,318)
Market value at 31 December	144,737	136,248	145,237	136,748

	Group 2007 market value £000	Group 2007 cost £000	Restated group 2006 market value £000	Restated group 2006 cost £000	Charity 2007 market value £000	Charity 2007 cost £000	Restated charity 2006 market value £000	Restated charity 2006 cost £000
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### b. Analysis of investments

#### Listed investments

United Kingdom	74,217	66,899	68,976	61,710	74,217	66,899	68,976	61,710
Overseas	40,662	39,414	51,066	50,257	40,662	39,414	51,066	50,257
	114,879	106,313	120,042	111,967	114,879	106,313	120,042	111,967

Unit trusts	16,573	15,016	6,265	4,638	16,573	15,016	6,265	4,638
Derivatives	(1,346)	(582)	1,596	1,596	(1,346)	(582)	1,596	1,596
Cash deposits	14,631	14,631	8,345	8,345	14,631	14,631	8,345	8,345
Investment in subsidiaries	–	–	–	–	500	504	500	504
	144,737	135,378	136,248	126,546	145,237	135,882	136,748	127,050

The market value of listed investments is the mid-market price quoted on a recognised stock exchange, the value of unit trusts is the mid-bid and offer price of the units and the value of unlisted investments is as determined by Council, all as at close of business at the year end. Derivatives are marked to market or included at valuations using appropriate standard industry methods.

Investments have been restated to represent the total value of the portfolio after considering all assets and liabilities previously disclosed in debtors and accruals.

As explained in the Trustees' Report, the Trustees, working with their investment managers and with the approval of the Charity Commission, have adopted an investment strategy which allows the use of derivative products to seek to achieve target performance, and to manage investment risk. Details of the key classes of derivative product used, together with their economic exposures and year-end open positions, are set out below.

## Futures contracts

	<b>Economic exposure value (asset) £</b>	<b>Economic exposure value (liability) £</b>	<b>Market value (asset) £</b>	<b>Market value (liability) £</b>
<b>Investment underlying future</b>				
UK equity index	–	(34,622,650)	–	(872,888)
Overseas equity index	9,870,103	(16,298,729)	–	(430,718)
Overseas bond futures	16,733,372	–	–	(189,455)
<b>Total futures</b>	<b>26,603,475</b>	<b>(50,921,379)</b>	<b>–</b>	<b>(1,493,061)</b>

All contracts mature in 2008.

## Forward foreign exchange contracts

	Gross receive amount at inception (asset) £	Gross pay amount at inception (liability) £	Market value (asset) £	Market value (liability) £
<b>Country of currency underlying forward foreign exchange contract</b>				
Australia	–	519,515	3,623	
Canada	–	663,067		(5,282)
Euro	–	13,188,369		(642,720)
Japan	–	3,329,238		(113,289)
Norway	526,748	319,186		(5,165)
Sweden	–	980,925		(9,475)
Switzerland	–	2,383,811		(141,403)
United States	–	6,700,000		(66,145)
<b>Total forward foreign exchange contracts</b>	<b>526,748</b>	<b>28,084,111</b>	<b>3,623</b>	<b>(983,479)</b>

All contracts expire by March 2008

## Options

	Nominal amount of contract (asset) £	Nominal amount of contract (liability) £	Market value (asset) £	Market value (liability) £
<b>Investment underlying option contract</b>				
UK equity index	–	(8,071,125)	–	(48,750)
Overseas equity index	–	(4,385,150)	–	(9,321)
<b>Total options</b>	<b>–</b>	<b>(12,456,275)</b>	<b>–</b>	<b>(58,071)</b>

## Swaps (collateralised)

	Notional principal £	Market value (asset) £	Market value (liability) £
<b>Expiration</b>			
Up to 2009	54,387,770	–	(227,605)
Up to 2037	36,156,760	827,055	(237,840)
<b>Total swaps</b>	<b>90,544,530</b>	<b>827,055</b>	<b>(465,445)</b>

	Notional principal £	Market value (asset) £	Market value (liability) £
<b>Types of swaps</b>			
UK, Japan and Euro interest rates	80,544,530	827,055	(227,605)
Inflation	10,000,000	–	(237,840)
<b>Total</b>	<b>90,544,530</b>	<b>827,055</b>	<b>(465,445)</b>

## Other derivatives

- Swaptions with a notional value of £21m and a market value of -£178k.
- Currency options with receive amounts of £26m and pay of £26m, with a market value of £988k.
- Two back to back CDS Indices with a notional amount of £11.7m, with a market value of £13k.

The above derivatives are held as traded products. Currency forwards are used to reduce risk by removing unwanted foreign currency exposure from the fund. Equity futures are used to gain exposure to an equity market without investing in physical assets or to reduce exposure to an equity market where an underlying investment in that market is held. Gilt / bond futures are used to gain exposure to movements in underlying interest rates without having to invest in fixed income funds. Equity options are used to reduce risk and provide exposure to market volatility. Interest rate swaps are used to gain exposure to movements in underlying interest rates without having to invest in fixed income funds. Inflation swaps are used to provide exposure to the outcome of a typical inflation index compared to current predictions. Swaptions provide positive exposure to interest rate movements beyond a certain level.

## 10. Stocks

	<b>Group 2007 £000</b>	<b>Group 2006 £000</b>	<b>Charity 2007 £000</b>	<b>Charity 2006 £000</b>
Equipment	146	158	146	159
Subsidiary stocks	105	129	–	–
	<b>251</b>	<b>287</b>	<b>146</b>	<b>159</b>

## 11. Debtors

	<b>Group 2007 £000</b>	<b>Restated group 2006 £000</b>	<b>Charity 2007 £000</b>	<b>Restated charity 2006 £000</b>
Tax recoverable	537	2,510	537	2,510
Other debtors	356	730	356	730
Trade debtors	296	813	241	326
Due from subsidiary companies	–	–	144	148
Accrued income	4,760	3,971	4,760	3,971
Other prepayments	304	126	302	124
	<b>6,253</b>	<b>8,150</b>	<b>6,340</b>	<b>7,809</b>

Included in other debtors are amounts falling due after more than one year. They include non-interest bearing equity loans to employees for housing assistance amounting to £0.1m (2006 £0.1m) and a loan of £0.1m (2006 £0.2m) repayable over 20 years to The Worcestershire Association for the Blind for the development of a resource centre.

## 12. Long term liabilities – group and charity

	2007 £000	2006 £000
<b>Liabilities expiring in more than one year are:</b>		
Accrual for unfunded pension contributions for six (2006: six) retired members of staff	288	295
Accrual for ophthalmic research grants	1,306	1,113
	<b>1,594</b>	<b>1,408</b>

## 13. Fund balances

Movements on the group's funds during the year are as follows:

	At 1 Jan 2007 £000	Incoming resources £000	Funds used £000	Net unrealised losses £000	Transfer between funds £000	At 31 Dec 2007 £000
<b>Designated funds:</b>						
Fixed assets	24,758	–	–	–	2,220	26,978
Service development and technology	3,338	–	(3)	–	–	3,335
Ophthalmic research grants	150	–	(72)	–	–	78
	28,246	–	(75)	–	2,220	30,391
<b>Net free reserves (see below)</b>	79,748	64,164	(51,583)	32,280	(2,220)	122,389
Total unrestricted funds	107,994	64,164	(51,658)	32,280	–	152,780
Restricted funds	386	7,694	(6,809)	–	–	1,271
Endowment funds	140	26	–	–	–	166
<b>Total funds</b>	<b>108,520</b>	<b>71,884</b>	<b>(58,467)</b>	<b>32,280</b>	<b>–</b>	<b>154,217</b>

Restricted and endowment fund balances are represented by investment assets.

'Funds used' comprise resources expended of £62,269,000 and realised gains on investments of £3,802,000 within the charity's own Statement of Financial Activities.

Net free reserves comprises £143,408,000 general funds less the pension reserve (deficit) of £21,894,000 plus the revaluation reserve of £875,000.

The designated fund for fixed assets represents the value of assets in use in the running of Guide Dogs.

The service development and technology fund is for funding the development of new ideas and technologies to assist blind and partially-sighted people.

The ophthalmic research fund is used i) to maintain and enhance residual vision and ii) for epidemiology to inform the development of organisational strategy and policy, including grants to medical institutions (see Note 6).

These funds are planned to be spent during the current 'Moving Forward Together' strategy period which ends in 2010.

The transfer between funds represents the change in value of the fixed assets during the year.

	<b>Group 2007 £000</b>	<b>Group 2006 £000</b>	<b>Charity 2007 £000</b>	<b>Charity 2006 £000</b>
<b>Revaluation reserve breakdown</b>				
Revaluation of investment portfolio	9,355	9,700	9,355	9,696
Revaluation of properties for use by charity	(8,480)	(9,546)	(8,480)	(9,546)
	875	154	875	150

## 14. Commitments

### Obligations under contracted capital commitments for the group and the charity:

	<b>2007 £000</b>	<b>2006 £000</b>
	416	3,029

**Total** capital commitments of £416,000 relate to the contracted obligations as at 31 December 2007, resulting from the vehicle replacement schedule.

## Obligations under operating leases

At 31 December 2007 annual commitments are as follows:

	2007 £000	2006 £000
<b>For leases of properties expiring:</b>		
Within one year	56	109
Between two and five years	199	176
Over five years	232	228
	<b>487</b>	<b>513</b>

## 15. Legacies

There are some legacies which have been notified to the Association at 31 December 2007 for which the amount receivable cannot be ascertained. These Financial Statements include payments received on account but not any estimates for future amounts receivable. Indications are that £38.0 million of legacies are receivable at the year end.

## 16. Subsidiaries

The Association holds the whole of the issued share capital of The Guide Dogs for the Blind Association (Trading Company) Limited, GDBA Community Care Services Limited, Guide Dogs Limited, Guide Dogs UK Limited and GDBA (Pension Fund Trustees) Limited.

The Guide Dogs for the Blind Association (Trading Company) Limited is the charity's trading subsidiary. A comprehensive review of this company's operations has been undertaken to ensure its future activities are of maximum benefit to Guide Dogs.

Guide Dogs UK Limited operates as a design and build company to develop the new Guide Dog Training Schools and therefore reduces the financial risk to the Association.

A summary of the trading results for the year ended 31 December 2007 is shown below:

	<b>Dormant companies 2007 £000</b>	<b>Trading Company 2007 £000</b>	<b>GDUK 2007 £000</b>	<b>Total 2007 £000</b>	<b>2006 £000</b>
Turnover	–	1,104	3,215	<b>4,319</b>	7,681
Cost of sales	–	573	3,215	<b>3,788</b>	7,138
Gross profit	–	531	–	<b>531</b>	543
Other operating income	–	295	–	<b>295</b>	327
Distribution, selling and administration expenses	–	(549)	–	<b>(549)</b>	(620)
Operating profit for the financial year	–	277	–	<b>277</b>	250
Interest	–	28	17	<b>45</b>	19
Gift Aid donation to the charity	–	(300)	(17)	<b>(317)</b>	(269)
Profit for the year	–	5	–	<b>5</b>	–
Funds brought forward at beginning of year	(1)	1	–	<b>–</b>	–
Funds carried forward at end of year	(1)	6	–	<b>5</b>	–

Transactions with subsidiaries during the year were as follows:

	<b>2007 £000</b>	<b>2006 £000</b>
<b>The Guide Dogs for the Blind Association (Trading Company) Limited</b>		
Charge for management expenses	<b>187</b>	167
Purchases	<b>416</b>	399
Deed of covenant receivable	<b>300</b>	269

#### **Guide Dogs UK Limited**

Purchases	<b>3,215</b>	6,535
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The investment of the Association in subsidiaries amounting to £509,000 (2006 £504,000) is represented by net assets as follows:

	<b>Dormant companies 2007 £000</b>	<b>Trading Company 2007 £000</b>	<b>GDUK 2007 £000</b>	<b>Total 2007 £000</b>	<b>2006 £000</b>
Tangible fixed assets	–	4	–	4	7
Stocks	–	105	–	105	129
Trade debtors	–	54	43	97	487
Prepayments	–	2	–	2	2
Due from the Association	1	–	–	1	5
Bank balances	1	712	296	1,009	949
	<b>2</b>	<b>877</b>	<b>339</b>	<b>1,218</b>	<b>1,579</b>
Trade creditors	–	211	50	261	266
Accruals	–	12	116	128	7
Deferred income	–	–	136	136	673
Due to the Association	–	148	36	184	129
	<b>–</b>	<b>371</b>	<b>338</b>	<b>709</b>	<b>1,075</b>
<b>Net assets</b>	<b>2</b>	<b>506</b>	<b>1</b>	<b>509</b>	<b>504</b>
Share capital, 100% owned by parent charity	3	500	1	504	504
(Loss) / profit carried forward	(1)	6	–	5	–
<b>Net funds</b>	<b>2</b>	<b>506</b>	<b>1</b>	<b>509</b>	<b>504</b>

## 17. Pensions costs

Other pension costs in Note 7 have been determined under FRS 17 (Retirement Benefits).

The Association operates a defined benefit scheme for all qualifying employees. The assets of the scheme are held in a separately administered fund.

The scheme is subject to a biennial valuation by independent actuaries, the last valuation being carried out as at 31 December 2006, using the projected unit method, in which the actuarial liability makes allowances for projected earnings. The next formal actuarial assessment of the scheme is due to be carried out no later than as at 31 December 2008. The following actuarial assumptions were applied in the valuation of the accrued liabilities of the scheme:

Investment returns (prior to retirement)	7.15% p.a.
Investment returns (after retirement)	4.90% p.a.
Salary growth	4.00% p.a.
Pension increase (for pensions built up after 5 April 1997)	3.00% p.a.

At the latest actuarial valuation date, the market value of the assets of the scheme was £115m (including the value of insured annuities and accumulated additional voluntary contributions) and this actuarial value was sufficient to cover 83 per cent of the benefits which had accrued to members, after allowing for expected future increases in earnings. The employers' contribution rate over the average remaining service lives of the members takes account of the deficit disclosed by the valuation, with due allowance for the special employer contribution of £3,500,000 paid in December 2003. The Association has also made additional special contributions of £2,800,000 in December 2004, £2,440,000 in December 2005, £5,600,000 during 2006 and £5,600,000 during 2007. These amounts have been included fully in the figures provided in this disclosure note.

In accordance with the requirements of Financial Reporting Standard 17 the full actuarial valuation at 31 December 2006 was updated by a qualified independent actuary at 31 December 2007.

The major assumptions used for the purpose of calculating the actuarial deficit were:

	<b>2007 %p.a.</b>	<b>2006 %p.a.</b>	<b>2005 %p.a.</b>
Discount rate	5.70	5.30	4.80
Inflation assumption	3.50	3.40	3.00
Rate of increase in salaries	4.00	3.90	3.50
Rate of increase in pensions in payment (for pensions built up after 5 April 1997)	3.50	3.40	3.00

The assets of the scheme (other than insured annuities and accumulated additional voluntary contributions) are held with Royal London Asset Management, Citigroup Asset Management, Stenham Asset Management, PSolve Alternative Investments, Legal & General, Standard Life Investments and Newton Investment Managers.

The assets in the scheme (excluding the value of insured annuities and accumulated additional voluntary contributions) and the expected rates of return were:

	<b>Expected long-term rate of return at 31/12/07 %p.a.</b>	<b>Expected long-term rate of return at 31/12/06 %p.a.</b>	<b>Expected long-term rate of return at 31/12/05 %p.a.</b>
Equities	7.60	7.60	7.10
Bonds	5.70	4.90	4.70

	<b>Market value of assets at 31/12/07 £000</b>	<b>Market value of assets at 31/12/06 £000</b>	<b>Market value of assets at 31/12/05 £000</b>
Equities	74,703	80,691	81,500
Bonds	52,089	34,189	16,100
Bank balance	254	236	2,600
<b>Total market value of assets</b>	<b>127,046</b>	<b>115,116</b>	<b>100,200</b>
Present value of scheme liabilities	(148,940)	(172,763)	(159,500)
<b>Deficit in the scheme</b>	<b>(21,894)</b>	<b>(57,647)</b>	<b>(59,300)</b>

The assets and liabilities of the scheme at 31 December 2007, along with the expected rates of return on scheme assets, are as follows:

	<b>Expected return 2007 %</b>	<b>Expected return 2006 %</b>	<b>Expected return 2005 %</b>
Expected rates of return on scheme assets	6.7%	6.9%	6.6%

	<b>2007 £000</b>	<b>2006 £000</b>	<b>2005 £000</b>
Total market value of scheme assets	127,046	115,116	100,200
Present value of scheme liabilities	(148,940)	(172,763)	(159,500)
Net pension scheme liabilities	(21,894)	(57,647)	(59,300)

The analysis of the financing costs are as follows:

	<b>2007 £000</b>	<b>2006 £000</b>	<b>2005 £000</b>
Expected return on pension scheme assets	8,147	6,903	5,700
Interest on pension scheme liabilities	(9,198)	(7,747)	(6,700)
Net return	(1,051)	(844)	(1,000)

The analysis of the amount recognised after 'Net income / (expenditure) for the financial year' in the SOFA, is as follows:

	<b>2007 £000</b>	<b>2006 £000</b>	<b>2005 £000</b>
Actual return less expected return on pension scheme assets	(2,223)	605	10,400
Experience gains and (losses) arising on the scheme liabilities	25,788	(10,909)	(3,700)
Changes in assumptions underlying the present value of the scheme liabilities	8,830	8,566	(27,000)
Actuarial (loss) / gain	32,395	(1,738)	(20,300)

An analysis of the movement in the deficit in the pension scheme and in respect of the dependants' pensions during the year is:

	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
Deficit at beginning of the year	(57,647)	(59,300)	(40,600)
Contributions paid	8,607	8,641	5,700
Current service cost	(4,198)	(4,379)	(3,100)
Past service cost	–	(27)	–
Pension finance cost	(1,051)	(844)	(1,000)
Actuarial (loss) / gain	32,395	(1,738)	(20,300)
<b>Deficit at the year end</b>	<b>(21,894)</b>	<b>(57,647)</b>	<b>(59,300)</b>

A history of experience gains and losses in the pension scheme is:

	<b>% of assets/ liabilities at end of year 2007</b>	<b>% of assets/ liabilities at end of year 2006</b>	<b>% of assets/ liabilities at end of year 2005</b>	<b>% of assets/ liabilities at end of year 2004</b>	<b>% of assets/ liabilities at end of year 2003</b>
Gain / (loss) on assets	(1.7)	0.5	10.3	2.0	9.0
Experience gain / (loss) on liabilities	17.3	(6.3)	(2.4)	(4.7)	1.7
Gain / (loss) on change of assumptions	6.2	5.0	(16.9)	(5.2)	(13.1)
<b>Total actuarial loss recognised in SOFA</b>	<b>21.8</b>	<b>(1.0)</b>	<b>(12.7)</b>	<b>(8.6)</b>	<b>(5.3)</b>

## 18. Analysis of net assets between funds and cash flow

	<b>General funds £000</b>	<b>Designated funds £000</b>	<b>Restricted funds £000</b>	<b>Endowment funds £000</b>	<b>Total 2007 £000</b>	<b>Total 2006 £000</b>
Tangible fixed assets	–	26,978	–	–	<b>26,978</b>	24,758
Fixed asset investments	144,571	–	–	166	<b>144,737</b>	136,248
Money market and bank balances	5,517	–	–	–	<b>5,517</b>	4,929
Pension fund	(21,894)	–	–	–	<b>(21,894)</b>	(57,647)
Other assets and liabilities	(5,805)	3,413	1,271	–	<b>(1,121)</b>	232
<b>Total net assets</b>	<b>122,389</b>	<b>30,391</b>	<b>1,271</b>	<b>166</b>	<b>154,217</b>	<b>108,520</b>



For further information on Guide Dogs' services please visit the Guide Dogs website:  
**[www.guidedogs.org.uk](http://www.guidedogs.org.uk)**

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