

Blue Cross annual report



2018



Pets change lives
We change theirs

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Who we are

Blue Cross is a charity that has been helping sick, injured, abandoned and homeless pets since 1897. Pets help us in so many ways and they depend entirely on us. That's why at Blue Cross we believe in helping pets because pets help us. We help thousands of pets in need every month, providing veterinary care, expert behaviour help and find them loving homes, as well as advice and education for current or future pet owners and pet bereavement support. We develop lifelong relationships with pets and owners, providing quality care that is accessible and non-judgemental. With your support we can give back to more pets in need.

Pets change lives. We change theirs.

Our vision

Every pet will enjoy a healthy life in a happy home.

Our mission

We find happy homes for abandoned or unwanted pets, and we keep pets healthy by promoting welfare and providing treatment.

Welcome

from our Chairman and Chief Executive

After a year of both highlights and challenges, one event immediately springs to mind. We commemorated the 100th anniversary of the end of the First World War at the Imperial War Museum and this will live long in the memory. As the country came together to remember the fallen, we recognised the sacrifices made by horses, dogs and other animals, and that of our human colleagues of a century ago. It focussed on Blue Cross's role during the war, where the flags that gave us our name flew above battlefield hospitals caring for horses wounded at the front. Such a formative part of the charity's heritage, the event also explored how our relationships with these animals have changed over the years.

While our role has also changed in that time, we're proud to still be making a huge difference to pets in need. The past year hasn't been without difficulty, but it has also been one where we have shown great resilience in the face of a changing world. We have made excellent progress in our veterinary services, are adapting to the various issues posed by people rehoming their pets online, and continue to be a voice for pets in key welfare debates both in the UK and Europe. We saw an 11.6 per cent increase in veterinary activity and rehomed 3.4 per cent more animals than in 2017. We reached over 112,000 young people through our educational talks and there was a 57 per cent increase in the demand for our Pet Bereavement Support Service. A year of investment and consolidation in our rehoming services may have seen us fall short of our ambitious rehoming targets, but refurbished centres and new rehoming and advice units will allow us to be more efficient, agile and ultimately help more pets in the future.

Due to the complexity involved with collating figures from all our services, we were unable to include a final figure for the year's pet interventions by the time this report went to press.

Our financial outturn reports an overall deficit of £1m. However, this is due to losses of £2.3m in our investment portfolio, which is perhaps to be expected at a time of such financial uncertainty. Our operating activities produced a surplus of £1.3m, despite challenges around our fundraising income, and reflect the successful ongoing focus we have on managing costs within the organisation. We are also very pleased to have reached our target for legacy income,



particularly as legacy cashflow in the charity sector has been very erratic due to probate processing delays within HMRC.

We welcomed Professor Stuart Carmichael, Sue Ellis, Caroline Gosling and Chris Martin who respectively bring veterinary, public affairs, marketing and communications, and technology skills to the Board. Dr Nick Park joined as an Independent Member of the Board. Dr Tim Hutton is not standing for re-election at the AGM after 22 years of dedicated service as a Trustee. We were also sorry that Colonel Neil Smith and Deirdre Walker decided to step down as Trustees owing to increased work commitments. However we are delighted that Neil has agreed to be our Clinical Ambassador so we continue to benefit from his wide expertise. We thank Tim, Neil and Deirdre for their wonderful support of Blue Cross. We are very grateful to Chris Packham, our Education Ambassador, for his support and congratulate him on his award of the CBE in the New Year's Honours list.

We would also like to take the opportunity to pay tribute to our committed teams across the charity. They continue to work tirelessly to improve the lives of the pets in our care, and help to create a better world for the country's pets. And we continue to be grateful to the thousands of volunteers who dedicate their time and passion to helping pets. As a result of their combined efforts we have followed our vision to help more pets live healthy lives in happy homes.

Our thanks to all the supporters who make our work possible, and to everyone who has been part of making 2018 a year to be proud of.

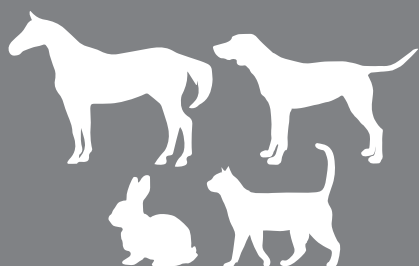
Tim Porter FCA
Chairman

Sally de la Bedoyere
Chief Executive

Our highlights of the year

40,574

pets helped
by Blue Cross



112,660

people reached
through education



352

pets helped by the
Emergency Care Fund

Average length of stay for a pet this
year compared to 2017



Average LOS in days	Smalls	Cats	Dogs	Horses
2017	44	42	31	136
2018	38	38	29	148



12,966

calls and emails answered by our
Pet Bereavement Support Service,

4,736 more than 2017



1,399

Horse Welfare
Team visits



1,792
behaviour
consultations to
help pets in their
new homes



2,209
Petwise MOTs



1,979
pets fostered



68p in the pound
spent on charitable
activities



4,327
volunteers gave **454,743**
hours of their time
29% of all hours worked

26 Welsh Assembly Members spoken with
about our *Welsh Pets Deserve
Better* online sales report

67 MSPs met with to discuss our
*Scottish Pets Deserve
Better* online sales report



Blue Cross Impact Framework

After 18 months researching the challenges facing pets and their owners today, through wide consultation and revisiting our purpose and goals in today's world, we developed our Impact Framework. The framework identifies and articulates the three key outcomes that all need to be in place for our vision to become reality (see image opposite).

To ensure successful delivery of all three outcomes we have identified activities that help us achieve those goals, inform our work and allow us to determine new areas of need.

While the framework is most easily expressed over three separate outcomes, in practice the activities that underpin each are not mutually exclusive. For example, improving the knowledge and understanding of a pet's needs is not just undertaken by our Education Service. Sharing care advice, including helping owners understand the five welfare needs, also forms a crucial part of our veterinary, rehoming and online services.

The framework now underpins and informs our decision making, allowing us to identify areas of need. It has allowed our teams across different directorates to work in a more integrated way and fully understand that we can have a greater impact by working together. 2018 was the framework's introductory year and now teams will prioritise activities that we believe will make the biggest difference to pets and their owners. The framework guides us in measuring and evaluating our impact, and helps us engage current and future pet owners, organisations and institutions to achieve those desired outcomes.

Over the following pages you will read about how our Impact Framework is helping us to achieve our charitable objectives and meet the needs of today, and we will continue to report against our framework in future years.

See more at bluecross.org.uk/impact-framework

Doubling pets helped strategy: an update

We're extremely pleased that overall we were able to help more sick, injured and homeless pets and their owners in 2018 than in 2017. However we were disappointed that we did not reach some of the other ambitious targets we set for the year; to help 33,000 pets through our Veterinary Services and 11,500 through Rehoming Services.

Changes to the external environment since adopting our doubling pets helped strategy in 2014 have meant we have been unable to meet this ambitious target in the original timeframe of 2020, but our new Impact Framework is helping us to respond to the current need and we are delighted that we were able to help more pets in 2018 in comparison with the previous year.

Major refurbishment work took place at our Lewknor rehoming centre in 2018, resulting in some of our pet accommodation having to close for periods to avoid placing our animals under stress. Also the increase in online advertising continues to allow people to rehome their pets privately rather than coming to a charity. This creates problems that we are working to address.

In addition to lobbying MPs for stricter regulation of online pet sales, we are putting the building blocks in place in order to help more pets in the long term. We constantly work to make our Rehoming Services more accessible and flexible to make it as easy as possible for people to rehome the right pet.

We expect the planned refurbishment of our Hertfordshire rehoming centre, which has suffered setbacks due to both an underestimation of the costs for the final project and fundraising issues, will also have a positive effect on the number of pets we can help when work is completed in 2020. We have taken on board our learnings from these setbacks and are ensuring we adapt our approach accordingly for future capital projects. We are confident that refurbished centres along with newer, cost-effective units will help us work more efficiently in the future and help more pets.



Vision: Every pet will enjoy a healthy life in a happy home

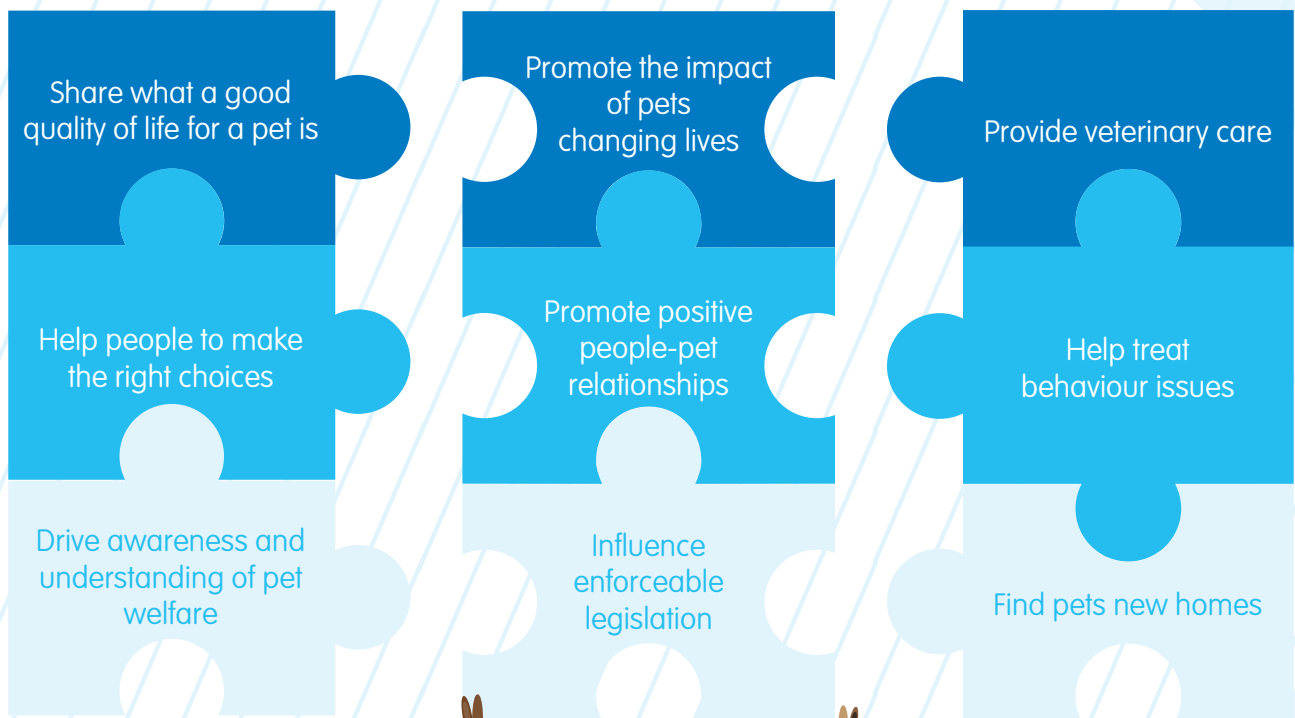
Outcomes required to make our vision possible:

Improved knowledge and understanding

Pets are a valued part of society

Help for pets in need

Activities needed to deliver the required outcomes:



Informed by a continually developing evidence base

Our achievements and progress

Public benefit: As laid out in our Memorandum and Articles of Association, our charitable activities aim to ensure knowledge and understanding of a pet's needs are widespread; that pets are valued for the benefits they bring to society; and that pets (and their owners) have access to help when they need it. The Trustees have given due regard to the Charity Commission's guidance on public benefit when exercising relevant powers and duties.

We set out below how we have achieved our public benefit, in line with our new Impact Framework.

At points the terms used in this section differ slightly from those terms used in the Statement of Financial Activities and the supporting notes to summarise the costs of our charitable activities. Some activities mentioned below will sit within two categories of cost but primarily speaking 'Help for pets in need' refers to costs included in the veterinary and rehoming activities, while costs incurred regarding 'Improving Knowledge and Understanding' and 'Pets valued as part of society' are included in our advice and support and raising awareness activities.

Help for pets in need

Pets helped by Veterinary Services

2017 28,059

2018 31,321

Pets helped by Rehoming Services

2017 8,950

2018 9,253

Our outstanding achievement of the year, and one that should make all teams proud, is that of increasing the number of pets helped in comparison with the previous year.

Our veterinary teams made a difference to the lives of 12 per cent more sick and injured animals than in 2017; an extraordinary increase amid the ongoing challenges mentioned on page 16 of this report. We expanded opening hours at our existing sites to help more pets in long-documented areas of need, and reached out to communities where we have not had a presence before. Our cost per pet helped also reduced in this area to £259.40 (2017 £277.08).

Our rehoming teams too furthered their impact on Britain's homeless and abandoned dogs, cats, horses and small pets, helping 3.4 per cent more by opening a new rehoming and advice unit in Sheffield, and setting up another to open its doors in Manchester in January 2019. Our cost per pet helped by rehoming increased to £781.26 (2017 £776.07). During the year

we also expanded our National Rehoming Network, which helped 1,293 pets, 95 more than in 2017. Significant efforts have also gone into preparing our charity to meet the needs of homeless animals in the north of England, where we have had little presence before, and we look forward to continuing expansion into this area in future.

Expanding affordable vet care: Our recently launched Emergency Care Fund helps private vets treat the pets of struggling owners by covering up to £200 of the cost of emergency treatment. Following feedback from partner practices on the initial scheme, we made changes to eligibility criteria, including the opportunity for vets to identify pet owners in need without the requirement for checking benefit details at the time of the emergency. We had partnered with 84 private practices by the end of the year.

In 2018 we opened four new pet care clinics, bringing affordable veterinary care to Ashford (Kent), Luton, Torbay and York. Along with our Cwmbran and Derby clinics, they helped the owners of 4,169 pets keep their companions by their side.

Ongoing behavioural support: Many pets that come to our rehoming centres need comprehensive behaviour support to help them overcome issues which often could have been prevented with basic training and socialisation in early life. When a pet leaves Blue Cross we provide behavioural support for life; in 2018 our behaviourists helped 1,792 pets in their new homes.

Tackling breed specific legislation: Section one of the Dangerous Dogs Act 1991 means four types of dog can be seized and destroyed purely because of how they look. In June we gave evidence to the Environment, Food and Rural Affairs Select Committee to highlight problems with the current legislation and launched a petition asking Defra to repeal section one of the law. Our Public Affairs Team delivered it to 10 Downing Street in February 2019.

A healthy life and happy home for Gary

Tiny and terrified, Gary was just a helpless young foal when he was found crammed into the back of a car. Thankfully, police rescued him before he could endure any more mistreatment.

Gary stood sad and forlorn in his stable for days after his arrival at our Burford centre. Not only was he thin and in terrible condition, he was petrified of people. The horse team worked hard to help the little Shetland get back to a healthy weight, regain his confidence and learn to trust people. It took a while, but he finally started to play with other horses and would whinny when a team member approached.

Although he needed quite a specific home, Gary is now loving life with new owners Louise and Richard, and new best friend Zebby the Shetland.



Our achievements and progress (cont'd)

Improving knowledge and understanding

Coping with pet loss: When the time comes to say goodbye to a pet, whether through death or separation, many owners struggle to cope. As pets become an ever closer part of our families, saying goodbye becomes ever tougher, and this year we have seen a 57 per cent increase in the number of calls and emails to our Pet Bereavement Support Service. We've worked hard in 2018 to ensure we're easily found by people wanting assistance when facing pet loss, with a greater focus on online customer journeys enabling people to contact us more quickly and in a less-pressured way. We have made great strides with our marketing this year too, which has allowed us to let more grieving people know we're here for them, and also reach more amazing people who wish to dedicate their time to volunteer with us. We're so proud of our wonderful teams who have worked together to have a direct impact on those who need us. And in 2019, we look forward to celebrating the 25th anniversary of this vital service.

PBSS calls and emails answered

2017 8,230

2018 12,966

People reached through educational talks and workshops

2017 95,622

2018 112,660

Developing a relevant education programme:

In 2018 our Education Team achieved the remarkable goal of increasing the number of young people reached through talks and workshops by 18 per cent. Alongside the dedication of our team of employees and volunteers, we realised this accomplishment by recruiting naturalist and broadcaster Chris Packham as our Education Ambassador, taking a flexible approach to marketing, and focussing on our online customer journey.

To ensure our education programme remains evidence-based and reflects current issues surrounding irresponsible dog ownership, we launched our new Life Skills workshop in March 2018, for key stage three (ages 11 to 14) and above.

Developed following a review of current research and qualitative data captured by our Education Team, alongside expert opinion from a number of internal and external stakeholders, the workshop focuses on building empathy, considerations of owning and caring for a dog, and the associated moral and legal obligations.

This addition, to accompany our RespectaBULL workshop, reflects societal change, whereby one of the biggest welfare issues facing dogs today is irresponsible breeding and purchasing. Health and welfare remain a high priority issue for Blue Cross, and by giving people the right information at a young age, we can make sure we can impact positively on the future of our nation's pets.

Improving conditions for Scottish pets:

The Public Affairs Team worked with Jeremy Balfour MSP in the Scottish Parliament on a consultation document to improve the licensing of pet shops in Scotland. In November, the Scottish Government announced that they will take on the proposals and introduce legislation. We will continue to work with both Jeremy and the Scottish Government to ensure the new law improves the lives of pets sold in pet shops.

Pets are a valued part of society

Improving our influence and recognition: We held exhibitions in the Welsh Assembly in March 2018, and the Scottish Parliament in April 2018, and spoke to over 100 politicians throughout the year about the need for better regulation of online pet sales.

At the end of October we partnered with Dogs Trust, Cats Protection, the British Veterinary Association, PTSD UK, Children's Burns Trust and other charities for a special event in Westminster, speaking to MPs about the negative impact fireworks can have on animals and vulnerable people.

We continued our work in setting up Pet Advertising Advisory Groups (PAAG) to improve the standard of online pet sales, helping to set up PAAGs in Sweden and Romania. In November we held a conference in partnership with the European Commission to discuss the issues around the online sale of pets. We are committed to continuing to work with the European Commission, trade bodies and welfare organisations across Europe to help reduce the animal welfare implications of the online trade for many thousands of pets in future.

Blue Cross Medal

Every owner knows what a difference a pet makes to their life. The Blue Cross Medal celebrates those pet heroes who make an extra special impact. This year's winner was rescue dog Lemmy, who helped his young owner turn his life around after experiencing depression.



Our achievements and progress *(cont'd)*

We made great progress against our Impact Framework in 2018, and we also made excellent progress in a number of supporting areas across our organisation that ultimately contributed to our success. These include:

Our people: We celebrated members of our team who have been recognised for the fabulous work they do and have won awards including:

- Volunteers Lucy Cyhanchuk, Don Songhurst, Peta Stevens and Amy Mowforth were all rewarded in the Room to Reward scheme which recognises unsung volunteering heroes
- Adina Valentine won Veterinary Nurse of the Year at the CEVA Awards

We presented the following awards:

- J A Wight Memorial Award to Rebeca Garcia Pinillos for her outstanding contribution to the welfare of companion animals
- British Equine Veterinary Association Award to Dr Peter Rossdale OBE, for his outstanding achievements in helping improve equine welfare

Our terrific team of 4,327 volunteers gave 454,743 hours of their time to help us. That's 29 per cent of all hours worked at Blue Cross (in 2017 4,470 volunteers contributed 459,230 hours represented 30 per cent of hours worked). Volunteers continue to play a vital part in the delivery of our Rehoming, Clinical, Education and PBSS services; as well as supporting our Retail operations, fundraising activities and support teams.

We're incredibly grateful for their hard work and dedication, and we'd like to say a huge thank you to each and every volunteer.

A new volunteering strategy for 2019 onwards has been developed; volunteer recognition badges were launched; measures are being taken to increase the visibility of Trustees as volunteers; and a Volunteering Innovations Group was established.

Like all charities we have a responsibility to ensure that the largest proportion of donations we receive goes towards achieving our charitable objectives. We also need to ensure we maintain the balance of income we receive versus our costs in order to ensure a sustainable future for the charity. Having rigorously benchmarked our employee benefits against other comparable charities, including leading animal welfare organisations, it was found that in the majority of instances we provided benefits at a higher level. Therefore, following a thorough consultation with employees we took the difficult decision to reduce a number of employee benefits. 99.6 per cent of employees agreed to the new terms and conditions.

A comprehensive review of our recruitment practices, including extensive management training, was undertaken to ensure all our selection processes are fair and free from bias or discrimination. A new online recruitment system was also implemented in 2018, providing a more cost effective, efficient and enhanced service for both candidates and recruiting managers. We continue to seek ways to meet the challenges posed to the recruitment of veterinary surgeons and nurses by the external environment.

Following the appointment of mental health first aiders and wellbeing champions, Blue Cross was proud to formally confirm its commitment to mental health by signing the Time to Change Employer Pledge in September.

A safeguarding policy has been developed and implemented. The majority of our managers and Trustees received safeguarding training with the remainder due to complete it in 2019.



Raising our awareness: We continued to find innovative ways to raise awareness of our work. We were delighted to be part of Channel 5's Help the Animals at Christmas, the UK's first telethon for animal charities which raised over £663,000 on the night for the five charities involved. Women's fashion brand Oasis created a new collection inspired by some of the pets we helped, which went on sale across nearly 300 Oasis stores as well as on their website. We also appointed our first Equine Ambassador, three times Olympic medal-winning equestrian Mary King MBE (below).



Our messages received excellent coverage in the media, and we continue to enjoy fantastic online interaction. We launched our new website homepage, designed to increase engagement, demonstrate our impact and highlight brand purpose. In 2018, our website saw 23.1 per cent more visitors, five per cent more people making a donation and 27 per cent more individuals applying to rehome a pet.

 **74,000 followers on Twitter**

 **318,000 likes on Facebook**

We are delighted that we achieved our semi-prompted awareness target of eight per cent at the year end.*

*Source: NfP



Part of the Oasis collection, inspired by Blue Cross pets



Our plans for the future

We want to have the greatest impact where we are needed most and we have embarked on a review of our future strategy. The following areas represent our integrated approach going forward, and how we will seek to use our funds to make the biggest difference to pets' lives.

People

Happy, accountable employees and volunteers are critical to delivering our vision. Through coaching, investing in training and development programmes we will seek to create an atmosphere where teams are empowered to make decisions in their own areas of expertise.

Income

We will focus on developing new, varied and sustainable income streams to help us maintain our commitment to sick, injured and homeless pets. Through investment, adopting a new approach to services and recruiting the right people in the right places we will move towards a more integrated approach to income generation.

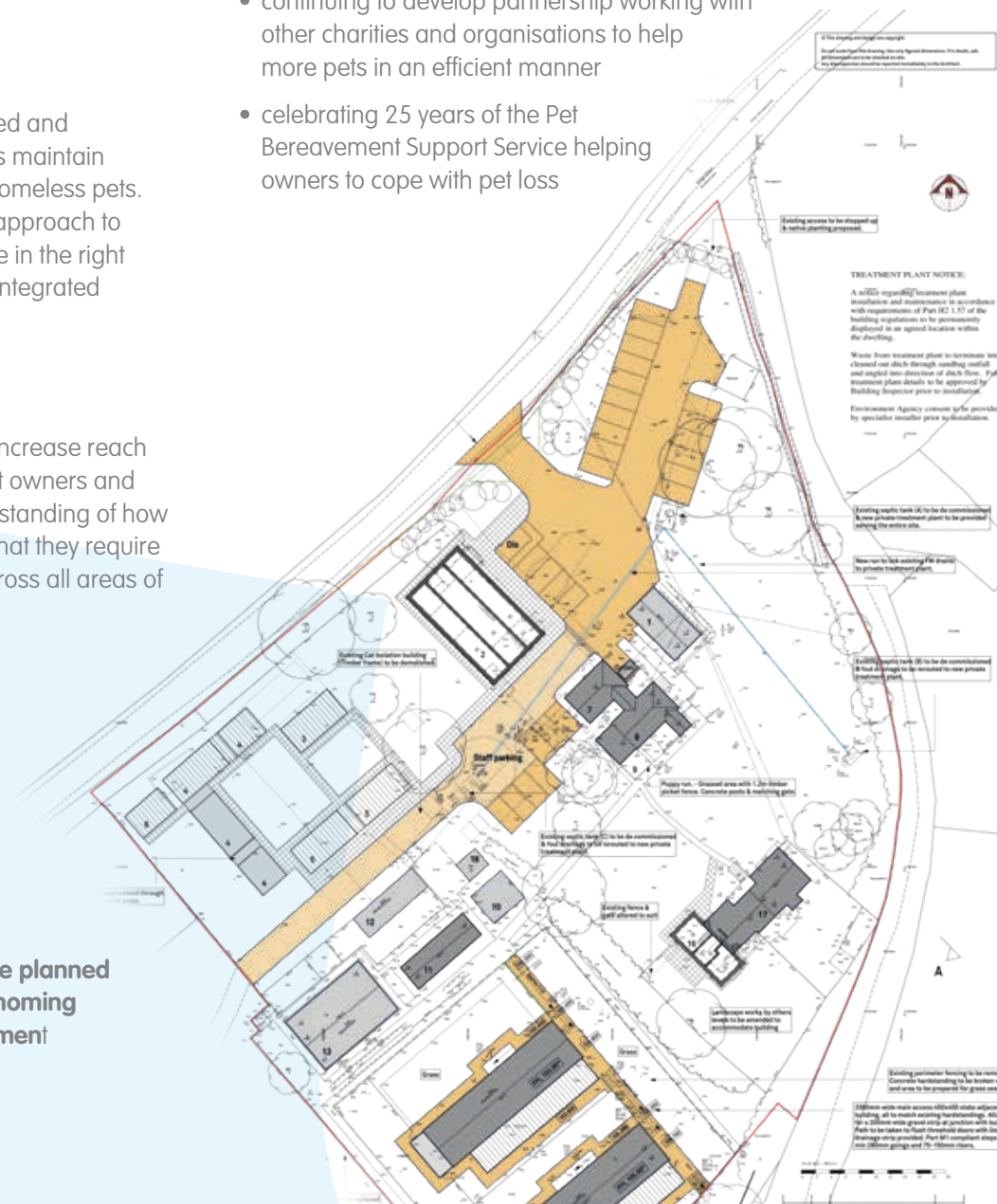
Technology

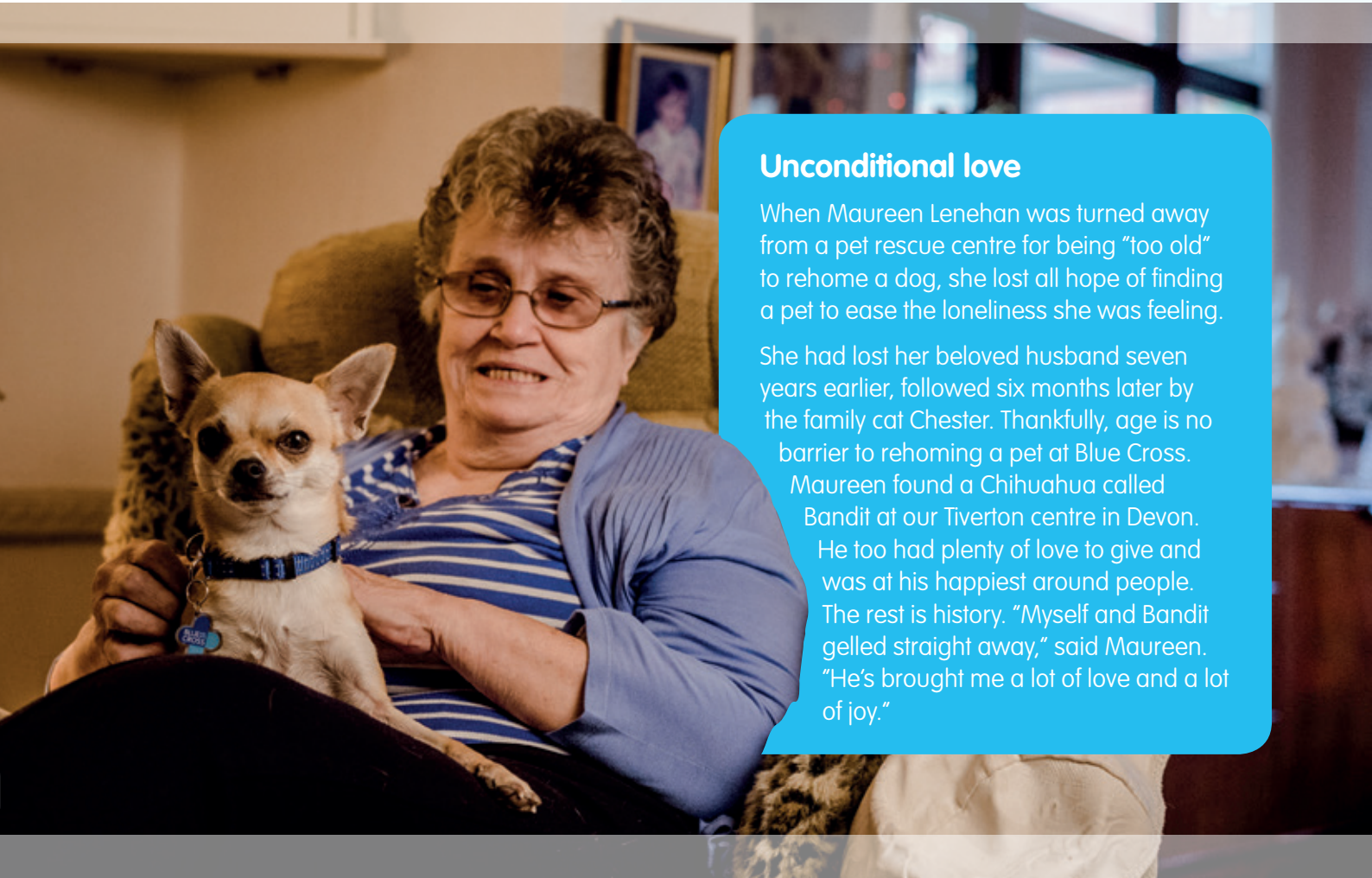
Embracing technological change will increase reach and accessibility to our services for pet owners and potential rehomingers. Building an understanding of how users interact with our services and what they require from them will increase our impact across all areas of our Impact Framework.

In 2019, key activities include:

- updating our dog safety workshop in line with the latest research
- commencing the planned refurbishment of our Hertfordshire rehoming centre
- developing the value of our Emergency Care Fund partnerships to be mutually attractive for private veterinary practices and Blue Cross, thereby helping more pets
- continuing expansion of our Rehoming Services in the north of England by opening a rehoming and advice unit in Merseyside
- delivering our breed-specific legislation petition to 10 Downing Street in our ongoing campaign to give rehoming banned types of dog the chance of happiness they deserve
- continuing to develop partnership working with other charities and organisations to help more pets in an efficient manner
- celebrating 25 years of the Pet Bereavement Support Service helping owners to cope with pet loss

Aerial view of the planned Hertfordshire rehoming centre refurbishment





Unconditional love

When Maureen Lenehan was turned away from a pet rescue centre for being “too old” to rehome a dog, she lost all hope of finding a pet to ease the loneliness she was feeling.

She had lost her beloved husband seven years earlier, followed six months later by the family cat Chester. Thankfully, age is no barrier to rehoming a pet at Blue Cross.

Maureen found a Chihuahua called Bandit at our Tiverton centre in Devon.

He too had plenty of love to give and was at his happiest around people.

The rest is history. “Myself and Bandit gelled straight away,” said Maureen.

“He’s brought me a lot of love and a lot of joy.”

Angel’s delight

Angel the guinea pig was found in a zipped up sports bag by housing officers who were clearing a property. The tenants had been evicted four weeks previously, so we don’t know how little Angel managed to survive.

When she came to our Suffolk centre, Angel was underweight, dehydrated and had a sore foot from sitting in her own urine for so long. Even after all she’s been through, she’s a very sweet girl who loves a fuss. We were delighted to find her the loving home she deserves.



Challenges we face

Coping with online sales

In 2017, 488,978 adverts were placed for dogs, cats and rabbits on the three leading classified websites in the UK*. As the unregulated pet market continues to grow, more people are unwittingly buying unsuitable, ill or poorly bred pets. The teams at our animal hospitals receive sick and injured pets every day, many suffering from easily-preventable illnesses.

Our new rehoming and advice unit in Sheffield, along with major refurbishment of our Lewknor centre and planned future developments, will expand our capacity to help pets in need. Our Greater Manchester rehoming and advice unit was completed and started helping pets in January 2019.

* Source: tech4pets

Trust in charities

A 2018 Charity Commission report found that public trust in UK charities has fallen once more, down to 5.5 out of 10 (2017 5.7 out of 10). While trust in Blue Cross is 81 per cent*, we are ever mindful of the need to maintain that hard-won trust by communicating honestly and transparently with our supporters.

* Source: The Nursery Data collected December 2018 (core target group pet owners/lovers, 45-65 years)

Operating ethically

In a climate of falling trust, we are well aware of the need to be transparent in what we do and how we do it. Our supporter charter was updated this year to ensure we comply with the Code of Fundraising Practice issued by the Fundraising Regulator and that we are always honest and transparent about how we raise funds. It is available on the Blue Cross website.

We are committed to embracing equality and diversity both internally and externally (see statement on page 27), and provide a safe and trusting environment through our safeguarding policy.

Our Trustees recently reviewed our investment policy to ensure it aligns with Blue Cross's mission and reflects our values (see more on page 19).

Societal changes

As social behaviours change they impact on areas from pet ownership to how people want to access services. It is vital we keep up with the associated technologies that both drive and inform these changes in order to maintain an easily accessible and relevant range of services. From June to September 2018 we piloted a prototype online site for people to enquire about finding a new home for their dog. Feedback was encouraging and we are now working to expand this for all pets across our Rehoming Services.

Changing regulatory environment

A significant amount of work took place in a number of key areas, including reviewing – and implementing where required – policies, processes and contracts to comply with the introduction of the General Data Protection Regulation (GDPR), introduced in May 2018. We take our regulatory responsibilities extremely seriously and have a strong training programme in place to ensure all staff are aware of their responsibilities. We will continue to monitor the effects of GDPR, and react where necessary.

Our ongoing challenge in this area will be the time and resources required to implement regulatory requirements. While the numbers of such requests has been small, the nature of our records, in common with most organisations, means that implementing them is a time intensive process.

These steps will help minimise the risk of a loss of data or inappropriate use of data, which would be a causal factor in a number of the identified strategic risks (see page 24).

Political landscape

Ambiguity around the future of the United Kingdom's relationship with the European Union following withdrawal continues to cause uncertainty around the impact of legislative change and the impact on financial markets.

Reuniting mother and kittens

Ella was left to fend for herself when her owner moved out and didn't take her with them. Kind neighbours had been feeding Ella and checking up on her and her five newborn kittens. But when Ella failed to come home concerned neighbours called Blue Cross for help.

A neighbour brought the vulnerable kittens to our Victoria animal hospital in central London. We gave them the milk they urgently needed but it was a race against time to reunite them with their mum whose warmth and comfort they craved.

Amazingly, the following day Ella returned, so a volunteer brought her to our animal hospital where her kittens were waiting. After being given the all clear, the whole family was transferred to Blue Cross Southampton rehoming centre, where they settled into a peaceful space for the kittens to grow before they were found loving homes.



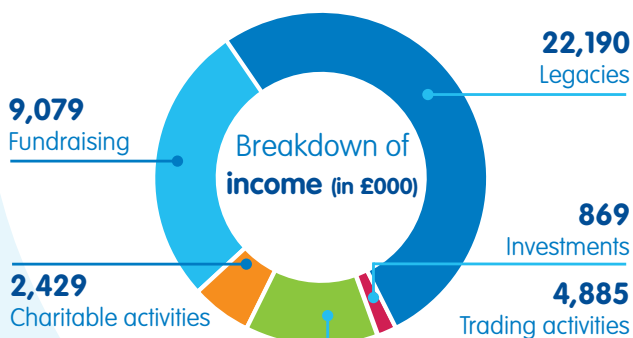
Financial review and outturn

Financial outturn

The overall result for the year was a deficit of £1m after investment losses of £2.3m. However, our normal operating activities achieved a surplus of £1.3m, which was in excess of budget.

We will now look to use this unexpectedly high surplus to help more pets in 2019, as it is not in line with our charitable objectives to generate a large profit each year.

We did not quite achieve our income target, during a year of tough fundraising conditions. However, across the charity, our incredible, hardworking teams rose to the challenge of lower than expected income and worked to keep their costs under budget, while still helping more pets and their owners.



Income

We receive no direct government funding, so continue to depend on donations for everything we do. On behalf of every animal helped we would like to thank every one of our supporters for their generosity. We'd also like to thank our corporate partners, trusts and foundations, and individuals, mentioned on page 52. Pets change lives and it is only with your support that together we can change theirs.

At £22.2m, legacy income was at a record high for the charity (2017 £20.5m). The memories of those who so generously include us in their Wills continue to live on through the pets they enable us to help.

Fundraising income was at £9.1m (2017 £9.6m). The number of people regularly giving to our work grew by five per cent to 66,317. 2018 was a tough year for fundraising owing both to the external climate but also due to internal challenges, including the recruitment of personnel. We finished the year on a high with our Christmas campaign raising £621k through a variety of marketing and fundraising activities. Another highlight of our fundraising was Blue Cross Week in October.

Teams across the organisation took on various challenges, with the Executive Team visiting 100 Blue Cross sites. Together our people raised an incredible £35,000.

It was another good year for our charity shops in tough high street conditions; like-for-like sales grew 4.3 per cent and overall sales grew one per cent. We expanded our e-commerce offering and intend to grow this area further.

Service delivery income was up 4.5 per cent on 2017 to £2.4m, which we are very pleased with and further reflects the hard work put in by our frontline teams.

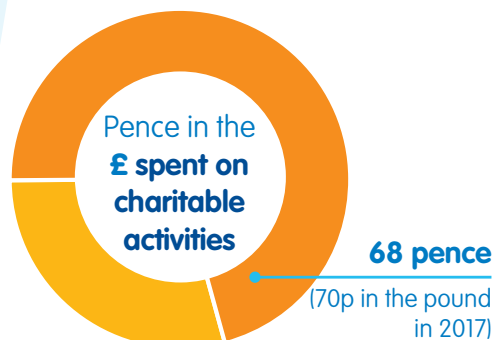
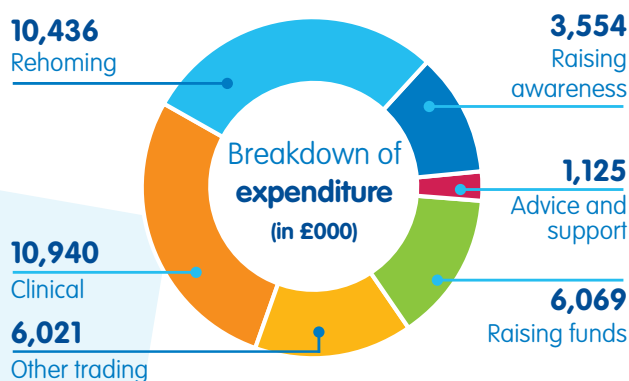
Expenditure

Our salary costs increased slightly to £20.4m, which in part reflect the performance-related pay rises that were awarded at the start of 2018. Operational costs and overheads stayed consistent at £17.7m, despite the expansion of activities.

Overall costs increased marginally to £38.1m, due to good cost control throughout the charity.

During the year, Blue Cross spent £26.1m (2017 £26.4m) on charitable activities, which represents 68 per cent of total expenditure in the year (2017 70 per cent).

For every £1 invested in raising funds, we received £5.15 back (2017 £5.71).



Balance sheet

Our balance sheet comprises net assets of £64.6m (2017 £65.6m). The legacy debtor increased by £3.55m. This is reflective of both the increase in legacy income but also due to HMRC taking longer to process legacy probates at points in the year. These delays caused us some short term cash flow difficulties. It was for these reasons we increased our loan with Barclays back to £9m (2017 £7m).

Due to both adverse year-end stock market conditions and a decision to build up our cash levels, our investment portfolio decreased in value by £4.5m to £31.3m. Cash totalled £6m at the year end, an increase of £3m on 2017. This includes £3m being held by our investment advisors on short term deposits. This was because we have two large capital projects planned for 2019, which will require cash drawdowns from the investment portfolio. Due to uncertainty in the stock market it was decided that other asset types should be converted to cash pre year end.

Investment policy and performance

The performance of the portfolio has been satisfactory in the tough market conditions of 2018 and within the agreed risk profile. The portfolio made a combined realised and unrealised loss of £2.3m (six per cent) from the end of 2017. This was mainly due to stock market changes in the last quarter and is reflective of the wider stock market conditions. During the year we carried on the work we started in 2017 to transition to a fully 'values based' investment approach to ensure our investment decisions reflect the values of our organisation.

We undertook a robust tender exercise for investment advisors which saw us remain with Rathbone Investment Management Ltd but move to be advised specifically by the Rathbones Greenbank team, who are specialists in ethical investing. They are now transitioning our portfolio to be a values based portfolio. The uncertainty in stock markets around the world has meant that we have not moved quite as quickly as anticipated but at year end we are 70 per cent of the way towards our target portfolio and are pleased with the progress achieved.

The investment portfolio is currently managed on a discretionary basis, subject to appropriate policies and limits established by the Trustees within the investment and treasury management policy. All investments must be held in accordance with Blue Cross's investment policy, which is reviewed annually.

The charity holds cash as part of its liquid reserves and ensures an appropriate balance between minimising risk of loss of cash holdings with maximising the return on those holdings. Treasury holdings are only permitted if they are in accordance with specific criteria which are laid out in the investment and treasury management policy.

Accounting policies

There have been no changes of accounting policies during the year.

The 2018 annual report and financial statements have been prepared in accordance with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities SORP (FRS102).

Planned expenditure

Our capital expenditure plans are shown in Note 19 to the accounts.

Reserves policy

The charity holds general reserves to support the organisation in countering short term financial risks while recognising the interaction between reserves and long term strategic objectives and capital plans.

The Board's policy is to maintain sufficient unrestricted liquid reserves to counter the most significant short term financial risk to the organisation, which has been identified as a sudden fall in income.

The appropriate benchmark has been determined as the ratio of liquid reserves to the amount required to cover the following expenditure:

- Six months' future budgeted expenditure which has been determined as being a sufficient timeframe to manage material cost reductions or fund emergency appeals while minimising the impact on our service delivery and core organisational capabilities
- All contracted capital expenditure
- All expenditure committed under leases through to their expiry

The Board reviews this measure annually and has decided that the minimum target ratio is 0.5, subject to a minimum liquid, unrestricted reserves of £15m. At 31 December 2018 the charity was operating at a ratio of 0.90 (2017 1.11) with a liquid, unrestricted reserve of £24.2m (2017 (£29.4m)).

Governance

Blue Cross was founded in 1897 under our former name, Our Dumb Friends League. The organisation is a charitable company limited by guarantee, incorporated on 11 September 1940 and registered as a charity on 8 February 1965.

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. These Articles were reviewed in 2012 and updated in line with current legislation and the amended Articles were approved at an Extraordinary General Meeting on 14 November 2012.

Governance and management structure

Trustees

Blue Cross is governed by a Board of Trustees, all of whom are Members of the charity and are volunteers. Trustees meet a minimum of four times per year. The Articles of Association require a minimum of five Trustees and a maximum of 15.

During the year the actual number of Trustees varied between 12 and 15 at any one time, as shown on page 51.

In appointing Trustees, the Board is mindful of the need to ensure diversity and that a wide range of skills and experiences appropriate to the charity's activities are represented. Recruitment of Trustees is delegated to a committee of Trustees under the Chairman's leadership, which makes recommendations to the Board. In its recent recruitment, the Board has sought to achieve greater gender balance and to lower the average age of Trustees. No more than one third of Trustees at any time can serve beyond nine years where their skills and experience are desirable to be retained. The ongoing contribution of such Trustees is reviewed annually by the Board.

The Chairman is subject to an annual appraisal process by a senior Trustee based on feedback from each Trustee. The Chairman discusses on an annual basis with each Trustee their current and future contribution and any development needs.

Trustees attend an annual development day as part of their continuing professional development. In 2018, Trustees were trained in safeguarding and GDPR, and updated on animal welfare issues, diversity and other legislative developments.

The Trustees regularly review governance best practice and specifically considered the Charity Code of Governance in 2018. The internal review indicated that Blue Cross already meets the majority of the Code's recommendations. The review has led to a more specific focus on organisational purpose, increased embedding of risk management processes and the need to improve diversity where this is possible. The Code's recommendations continued to form an essential focus of the work of the Board and committees throughout the year, and is subject to ongoing review.

Independent Board Members

In 2018 the Board appointed two Independent Board Members who attend board meetings as observers and provide specific expertise to committees; they are eligible for appointment as Trustees when a vacancy arises. This is a voluntary position.

Related Parties, subsidiary charities and welfare associates

The charity has two subsidiary undertakings, Blue Cross Trading Company Limited and Blue Cross D&B Limited. The results of these subsidiaries are included into the charity's consolidated financial statements. Further information on these subsidiaries can be found in Notes 16 and 17 of the financial statements.

There are also a number of other related parties, subsidiary charities and welfare associates. Full details of these can be found in note 18 of the financial statements.



Best friends

Looking at the photo on the right, it's difficult to tell that Prim is a cocker spaniel. Found as a stray, she had such a bad case of mange that she had barely any fur left on her body.

The team at our Newport rehoming and advice unit treated her dry, sore skin with antibiotics, steroids and medicated baths. It took a lot of time and care, but Prim made an amazing recovery. Her fur is now long and glossy, and after a life on the streets she's found a new home with a wonderful new owner.



Committees

In addition to the main Board there are five committees which operate under the delegated authority of the full Board and advise or make recommendations. These committees are:

Audit Committee (Audit): satisfies itself on behalf of the Board that adequate and effective systems of control and risk management are in place across the organisation.

Commercial and Retail Committee (Comco): considers all matters relating to the commercial, marketing, communications and income generating activities of the charity.

Finance and Support Committee (Fisco): supports the implementation of the charity's strategic plan and oversees financial and operational effectiveness against agreed business plans and the annual budget.

Remuneration Committee (Remco): considers the remuneration of the Chief Executive and Executive Team (see page 26) and overall pay policy of the charity.

Service Delivery Committee (Sedco): monitors the strategic and operational performance of the service delivery activities of Blue Cross, against the agreed business delivery plan, and encourages innovation and continuous improvement.

The **Investment Subcommittee (ISC)** is a subcommittee that reports direct to Fisco and meets quarterly with our investment managers to review investment performance and ensure investments are held in accordance with Blue Cross's ethical investment policy.

Membership of these committees and sub-committee at 31 December 2018 is shown below:

Zair Berry FCA: Comco, Fisco, ISC

Catherine Brown: Fisco (Chairman), ISC (Chairman)

Professor Stuart Carmichael BVMS, MVM, DSAO, MRCVS: Audit, Sedco

Amy Clarke: Comco, Fisco, ISC

Sue Ellis: Audit, Sedco

Clive Everest MA, FCA: Audit (Chairman), Fisco

Caroline Gosling: Comco, Fisco

Vicky Hemming: Fisco, Remco

Dr Tim Hutton, MSc VetMB MRCVS: Audit, Sedco

Nico Lutkins: Comco, Fisco

Chris Martin BSc: Comco, Fisco

Dr Nick Park BVetMed (Independent Board member): Audit, Sedco

Tim Porter FCA: Chairman of the Board

The Hon Henrietta Roper-Curzon: Comco, Fisco, Remco

Dr Jeremy Stewart BVetMed CertVR MRCVS: Comco, Sedco (Chairman)

Stephen Swift: Comco (Chairman), Fisco, ISC, Remco (Chairman)

As Chairman of the Board of Trustees, Tim Porter is an ex-officio Member of all committees. Vicky Hemming is the Trustee overseeing safeguarding. Any expenses reclaimed from the charity by Trustees are set out in note 6 to the accounts.

Membership

On 31 December 2018 there were 64 Members of Blue Cross entitled to vote at the AGM. Admission to Membership requires approval of the Trustees.

Statement of Trustees' responsibilities

The Trustees are required to prepare the annual report and financial statements for each financial year in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The Trustees are also required to prepare financial statements which give a true and fair view of the state of affairs of Blue Cross and the incoming resources and application of resources, including the net income or expenditure of the charity for the year. In preparing those financial statements the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the basis of going concern unless it is inappropriate to presume that Blue Cross will continue in operation

The Trustees are responsible for keeping adequate accounting records, which disclose with reasonable accuracy at any time, the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 2006. The Trustees are also responsible for safeguarding the assets of Blue Cross and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Trustees confirms that to the best of their knowledge there is no information relevant to the audit of which the auditors are unaware. Each of the Trustees also confirms that he/she has taken all necessary steps to ensure that he/she is aware of all relevant audit information and that this information has been communicated to the auditors.

Executive Team

The Trustees delegate responsibility for the day to day management of the charity to the Chief Executive and the Executive Team who also attend Board and Committee meetings as required. The Executive Team reports to the Board on the performance of their respective directorates against the strategic plan set out by the Trustees and on financial and operational trends measured against the annually approved budget. Key performance indicators are in place to facilitate this process.

Members of the Executive Team at 31 December 2018 were as follows:

Chief Executive: Sally de la Bedoyere

Chief Operating Officer and Deputy Chief Executive: Steve Goody

Director of Clinical Services: David Catlow

Director of Finance and Resources: Iain Heaton

Director of Fundraising, Marketing and Communications: Julia McKechnie-Burke

Interim Director of People and Development: Beth Verrechia

Director of Rehoming Services: Mandy Jones

Director of Strategic Business Planning: Kelly Grellier

Risks

Risk management

Responsibility for developing and overseeing implementation of the risk management process lies with the Board and Executive Team. The Audit Committee reviews the effectiveness of assurance processes, disclosure documents and management of key risks. They are supported by an internal auditor, who provides objective evaluation of processes, risk management and potential impact.

Building on the work done in 2017, the main strategic risks identified were reviewed formally by the Board every six months in 2018, and the impact and likelihood of them considered. This led to the removal of two risks that had been identified in the previous year. They were the risks of 'Inability to drive strategic change' and 'Failure to raise and sustain positive awareness of the Blue Cross brand'. These were removed because these areas had become less of a risk for the organisation due to positive steps that were taken, and also because it was felt other identified risks included sufficient related elements within them.

In December it was decided that an additional strategic risk should be added which is described as 'Risk of failure of Information Technology (IT) systems (including websites) due to internal errors or external attacks from hostile third parties'. This was elevated to a significant risk in the charity because events of this nature are becoming increasingly common and the consequences of them have been shown to be increasingly severe. Also, there is a very active and competitive job market for IT professionals currently and so there is a risk that Blue Cross may face challenges in having sufficient highly skilled employees to manage the changes which are envisaged as needed over the next few years. It was decided therefore that this risk should be raised to the level of a strategic risk.

Management assurance reviews took place on all the strategic risks during the year by the designated Executive Team member responsible for each risk. The Board and the Executive Team will in 2019 additionally look at risks that are considered very low probability but very high impact, and ensure controls and assurance activities are appropriate.

Staff continue to be trained on risk identification and management as appropriate. An operational risk register has been identified for each department, with responsibility for maintaining it and ensuring risks are appropriately mitigated passed to relevant and trained managers in those departments. Work will continue in 2019 to embed these operational risks further and ensure they are being identified and managed correctly. Our internal audits will review relevant operational risk registers as part of any 2019 audit activities and where necessary suggest actions to improve upon them.

The Board continues to receive health and safety updates during the year and we continue to have a formal whistleblowing policy and procedure in place in case anyone wishes to raise any concerns to the Board.

Principal risks and uncertainties

The following are the principal strategic risks that were considered to be present at the end of 2018:

- Adverse publicity leading to reputational damage
- Failure to respond to changes in the external environment, demography and/or service user needs
- Lack of financial sustainability
- Failure to recruit or retain the right people
- Weak, inadequate or failure of corporate governance
- Inability to respond to significant organisational disruption
- Risk of failure of IT systems (including website) due to internal errors or external attacks from hostile third parties

For each of these risks there is a detailed plan of controls to protect the organisation. Each risk has an identified lead amongst the Executive Team who seeks to ensure that these controls are functioning correctly and are sufficient to keep the possibility of the risk and its resulting impact, should it occur, at an acceptable level. There are also assurance activities to monitor and review the controls, including internal audit activities. There are also now in place detailed crisis management and incident management plans that were finalised in 2018.

These should serve as a mitigating action in the event of any of these major events occurring and a rapid response being required.

As can be seen elsewhere in this annual report, a great deal of work has been undertaken to ensure that these risks are minimised, such as:

- the development of our Impact Framework
- the Board's consideration of the 2017 Charity Governance Code
- our activities undertaken to comply with GDPR and other regulatory requirements
- all the work carried out to ensure that the organisation remains financially sustainable and
- the ongoing improvements in our employee and volunteer practices to attract and retain the best people

Tackling breed specific legislation for the sake of dogs like Duncan

Duncan was handed into Blue Cross as a stray dog. He was so thin that his ribs were protruding and he had an injury that needed urgent veterinary attention. Despite this, he was a friendly and loving chap to all our staff. As with all stray dogs, we were legally-bound to inform the local authority that Duncan was in our care. Unfortunately, Duncan was born with looks resembling a type of dog banned under section one of the Dangerous Dogs Act 1991. Stray section one dogs cannot be rehomed by law and must be euthanised. Our vets, nurses, animal welfare team and support staff made sure his time with us was happy. Duncan had a wonderful temperament, was eager to learn commands, and was well-behaved. We believe he would have made a loving pet dog had he been given the chance to live. Over 80,000 people signed our petition to repeal this unfair and ineffective law and give dogs like Duncan the chance they deserve. We delivered it to 10 Downing Street in February 2019.



Remuneration Committee report

Composition and role

The remuneration committee met four times in 2018. Its members are the Chairman and three Trustees and it is attended by the Chief Executive and the Director or Interim Director of People and Development, who are not present when their performance and remuneration are discussed. No other executives attend the committee.

The objectives of the committee are to:

- review and recommend the remuneration of the Executive Team
- review and approve Blue Cross's overall pay policy
- conduct the Chief Executive's annual review and set their objectives for the forthcoming year
- review and approve any proposed settlement payment proposals to be made

All recommendations made by the committee must then be approved by the Board.

Remuneration policy

Blue Cross is committed to ensuring that our employees are paid fairly and in a way that attracts and recruits people with the right skills to have the greatest impact in delivering our charitable objectives.

In assessing remuneration levels the committee considers the following factors:

- Inflation – keeping pay levels in line with movements in the cost of living
- Market forces – making sure pay levels are set so that they are compatible with the recruitment and retention objectives applicable to the role under consideration
- Merit increases – benchmarking such increases in terms of amount and justification ie performance and achievement and delivery against agreed objectives
- Increased responsibility – accommodating real changes in responsibility
- Affordability – ensuring Blue Cross has the financial resources to afford the proposed remuneration

The objective of this policy is to ensure that all Blue Cross employees are provided with appropriate remuneration to encourage optimum performance and are rewarded in a fair and responsible manner for their

individual contributions to the overall success of the charity. Each year all Blue Cross employees participate in performance appraisals.

The remuneration of the Executive Team is reviewed annually based on sector Xpert HR data. Blue Cross aims to pay the voluntary sector median salary for its senior executives. In 2018 the total Executive Team remuneration (£862,899) represented 98.3 per cent (2017 100.8 per cent) of the voluntary sector median for their specific roles.

The ratio of remuneration of the highest paid employee (£125,745 pa) to the average remuneration of employees (£25,022 pa) was 5.03 times (2017 5.53 to 1).

In 2018 the committee approved total settlement payments of £36,176 made to two individuals; in addition redundancy payments totalling £38,029 were made to ten individuals.

In framing the remuneration policy the committee has fully considered the recommendations of the annual survey of the Association of Chief Executives of Voluntary Organisations (ACEVO) and the National Council of Voluntary Organisations (NCVO) report of April 2014 into charity senior executive pay and guidance for Trustees in setting remuneration.

Remuneration of Executive Team

Remuneration of the Executive Team comprises annual salary, car allowance, life assurance, pension contribution and continuity of salary in the event of long term illness. Salary reflects individual performance and experience. The Executive Team were subject to the same reduction of benefits as all other employees.

Life assurance, pension and salary protection for long term illness are available to all Blue Cross employees.

Fundraising standards

Restoring public trust in charity fundraising is vital and it is extremely important to us that we demonstrate our transparency and impact. The standards we apply to our fundraising are shown opposite.

Open and accountable fundraising. We tell our supporters how they can easily change their preferences and we give them the ability to decide exactly what they want to receive. In 2018 we provided this opportunity in every mailing we sent.

Communicating with our supporters. We regularly update our supporters through our supporter magazine, letters and emails about how we spend their valuable donations to help pets in need

Complying with laws, regulation and standards. We are a member of the Institute of Fundraising and comply with the Fundraising Regulator code of practice. We also work with other charities to share and learn best practice across the sector. In 2018 we were part of the Compliance Forum, alongside other charities.

Protecting vulnerable people. We train our teams to be aware of the needs of vulnerable people and we have updated our vulnerable persons policy in 2018. You can see our approach to vulnerable people on our website.

Complaints and negative feedback. We treat all complaints seriously and respond quickly and fairly. We use the feedback that we get from our supporters and customers to improve the way we do things.

Working with partner agencies. The agencies are selected using a comprehensive procurement process to ensure they deliver the best in terms of supporter care, value for money and are fully compliant with UK laws, regulations and standards. They are also monitored throughout the year.

Our full supporter charter, complaints procedure and fundraising policies can be read on our website: bluecross.org.uk/supportercharter

We undertake a range of fundraising activities to encourage the donations that are so vital to funding our work, both through our own internal teams and by employing external fundraising agencies. In 2018 we partnered with Cappl and Home to provide our door to door fundraising, and Bespoke for our telemarketing. Each external company we work with is carefully selected through an agreed process and monitored as they conduct work as ambassadors of Blue Cross. In 2018 we received 375 complaints about our fundraising (2017 167). During 2017 we underwent a reduction in our fundraising recruitment activity, and the figures are reflective of this. The number differs from that submitted to the Fundraising Regulator (a total of 221 complaints year ending April 2018) as we are now required to report in line with the financial year.

We are also proud to have committed teams of volunteer fundraisers based around our Blue Cross rehoming centre and animal hospital sites who engage in raising funds within the local community, and provide a valuable contribution to generating income for our charity.

Equality and diversity statement

We are a values-led organisation. We aim to ensure that these values, encompassing equality and diversity, are at the heart of all we do in both the services we provide, and as an employer.

We recognise that people who provide and use our services come from diverse backgrounds, with varying experiences and needs.

We believe in equality for all, and that every person has the right to be treated fairly and with dignity and

respect regardless of sexuality, gender, disability, ethnicity, religion and belief, gender reassignment, orientation, age, pregnancy or maternity, or marriage and civil partnerships.

We embrace the different skills and experiences our employees bring to work, and we will treat people without prejudice based on their individual merit.

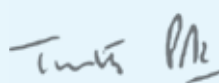
We work towards four broad objectives that we consider to encompass best practice:

- To develop and deliver our services to ensure they are inclusive and accessible to all
- To ensure diversity is embedded within the values of Blue Cross and viewed by all as integral to what we do
- To commit to a zero tolerance approach to discrimination and/or harassment
- To equip our people to deliver customer excellence in the services we provide

Auditors

BDO LLP acted as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

The Trustees' Report and Strategic Report were approved by the Trustees in their capacity as Directors of the company on 28 March 2019 and are signed on their behalf by



Tim Porter FCA, Chairman

Independent auditors' report

Opinion

We have audited the financial statements of Blue Cross ('the Parent Charitable Company') and its subsidiaries ('the Group') for the year ended 31 December 2018 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 December 2018 and of the Group's incoming resources and application of resources and the Parent Charitable Company's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The other information comprises: Welcome from our Chairman and Chief Executive, thank you and find us details. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report, which includes the Directors' report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report, which are included in the Trustees' report, have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

- proper and adequate accounting records have not been kept by the Parent Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditors' report

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's (FRC's) website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's Trustees, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charitable Company's members and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company, the Charitable Company's members as a body and the Charitable Company's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Don Bawtree

Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor, Gatwick
United Kingdom

Date: 29 March 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Teaching assistant

Julia Hamilton signed up to become a volunteer with our Education Team to teach children how to care for and stay safe around dogs. And she's got the perfect assistant in her 14-and-a-half stone St Bernard, Billy Boo.

Three-year-old Billy Boo qualified as a canine education volunteer after undergoing a series of assessments, and he has been a huge hit with the children he has met so far.

Julia and Billy Boo visit schools and demonstrate various dog body languages, so children can understand whether or not to consider approaching them.

These talks in schools and youth groups are an integral part of our charity's work; we hope that by reaching the youngsters of today with our pet welfare messaging, we can encourage a behaviour change across an entire generation – and ensure every pet has a happy home.



"It was good because we learnt how and when to approach a dog."

Reece, aged 11

Consolidated statement of financial activities

for the year ended 31 December 2018

	Note	Unrestricted Funds £'000	Restricted Funds £'000	2018 Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	2017 Total £'000
Income and endowments from:							
Donations and legacies		25,835	5,434	31,269	24,827	5,306	30,133
Charitable activities		2,429	-	2,429	2,283	1	2,284
Other trading activities		4,885	-	4,885	4,773	-	4,773
Investment income		869	-	869	835	-	835
Net profit on sale of asset	8	-	-	-	939	-	939
Total income	3	34,018	5,434	39,452	33,657	5,307	38,964
Expenditure on:							
Charitable activities							
Clinical		(9,697)	(1,243)	(10,940)	(8,201)	(2,158)	(10,359)
Rehoming		(7,610)	(2,826)	(10,436)	(7,967)	(2,211)	(10,178)
Raising awareness		(3,554)	-	(3,554)	(4,753)	-	(4,753)
Advice and support		(1,125)	-	(1,125)	(1,091)	-	(1,091)
Raising funds		(6,069)	-	(6,069)	(5,273)	-	(5,273)
Other trading activities		(6,021)	-	(6,021)	(6,006)	-	(6,006)
Total Expenditure	4	(34,076)	(4,069)	(38,145)	(33,291)	(4,369)	(37,660)
Net gains/ (losses) on investments	9	(2,273)	-	(2,273)	3,657	-	3,657
Net Income/ (Expenditure) before transfer		(2,331)	1,365	(966)	4,023	938	4,961
Transfers between funds		-	-	-	375	(375)	-
Net movement in funds		(2,331)	1,365	(966)	4,398	563	4,961
Reconciliation of funds							
Total funds brought forward at 1 January		64,165	1,439	65,604	59,767	876	60,643
Total funds carried forward at 31 December	14	61,834	2,804	64,638	64,165	1,439	65,604

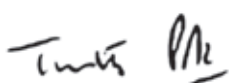
All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 15 to the financial statements.

Consolidated statement of financial position

for the year ended 31 December 2018

		Group		Charity	
	Note	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed assets					
Tangible assets	8	22,476	23,208	22,476	23,208
Investments	9	31,335	35,781	31,335	35,781
		53,811	58,989	53,811	58,989
Current assets					
Stocks	10	399	266	135	92
Debtors	11	16,474	12,830	17,537	13,017
Cash and cash equivalents		5,995	3,015	5,861	2,971
		22,868	16,111	23,533	16,080
Liabilities					
Creditors: Amounts falling due within one year	12	(3,941)	(2,496)	(3,810)	(2,465)
Net Current Assets/ (Liabilities)		18,927	13,615	19,723	13,615
Creditors: Amounts falling due within one year	13	(8,100)	(7,000)	(8,100)	(7,000)
Total Net Assets/ (Liabilities)	14	64,638	65,604	65,434	65,604
The Funds					
Restricted funds	15	2,804	1,439	2,804	1,439
Unrestricted funds	15	61,834	64,165	62,630	64,165
Total funds		64,638	65,604	65,434	65,604

Approved by the Trustees on 28 March 2019 and signed on their behalf by



Tim Porter FCA
Chairman



Stephen Swift
Vice Chairman

Company number 363197

The notes 1 to 21 form part of these financial statements.

Consolidated statement of cash flow

for the year ended 31 December 2018

	2018 £'000	2017 £'000	
Net cash provided by operating activities	(1,055)	1,453	Table A
Cash flows from Investing activities.			
Dividends, interest and rents from investments	860	835	
Proceeds from sale of property, plant and equipment	-	1,052	
Purchase of property, plant and equipment	(991)	(1,914)	
Purchase of investments	(20,218)	(5,152)	
Proceeds from sale of investments	22,384	3,836	
Net cash used in investing activities	2,035	(1,343)	
Cash flows from financing activities			
Repayment of borrowing	-	(3,000)	
Cash inflow from new borrowing	2,000	-	
Net cash (used in)/provided by financing activities	2,000	(3,000)	
Change in cash and cash equivalents in the year	2,980	(2,890)	
Cash and cash equivalents at beginning of year	3,015	5,905	
Cash and cash equivalents at end of year	5,995	3,015	Table B

Table A	2018 £'000	2017 £'000
Net income for the year	(966)	4,961
Depreciation of fixed assets	1,716	1,810
Dividends, interest and rents from investments	(869)	(835)
Loss/ (profit) on sale of fixed assets	-	(939)
(Gains)/ Losses on investments	2,273	(3,657)
	2,154	1,340
Working capital movements:		
Decrease/ (increase) in stocks	(24)	(96)
Decrease/(increase) in debtors	(3,628)	452
(Decrease)/ increase in creditors	443	(243)
Net cash inflow from operating activities	(1,055)	1,453

Table B	2018 £'000	2017 £'000
Cash at bank and in hand	5,995	3,015
Total cash and cash equivalents	5,995	3,015

Notes to the financial statements

for the year ended 31 December 2018

1. Company status

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

2. Accounting policies

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

a. Basis of Accounting

The financial statements have been prepared on the Going Concern basis, under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (FRS102), applicable accounting standards, the Companies Act 2006, and the Charities and Trustee Investment (Scotland) Act 2005.

The financial statements consolidate the results of the Charity and its wholly-owned subsidiaries Blue Cross Trading Company Limited and Blue Cross (D&B) Company Limited on a line by line basis. Transactions and balances between the Charity and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the organisations are disclosed in the notes. Detailed profit and loss accounts of Blue Cross Trading Company Limited and Blue Cross (D&B) Company Limited are disclosed in notes 16 and 17.

A separate Statement of Financial Activities, or income and expenditure account, for the Charity itself is not presented because the Charity has taken advantage of the exemptions afforded in FRS102.

b) Critical Accounting judgements and estimates

In the process of applying its accounting policies, Blue Cross is required to make certain estimates, judgements and assumptions that it believes are reasonable, based on the information available. These estimates, judgements and assumptions affect the amounts of assets and liabilities at the date of the accounts and the amounts of income and expenditure recognised during the reporting period. On an ongoing basis, estimates are evaluated using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. The following paragraphs detail the certain estimates, judgements and assumptions Blue Cross believes to have the most significant impact on the annual results under the Charities SORP (FRS 102).

- i. Income recognition – Blue Cross recognises income on a receivable basis where the amount is reliably measurable and there is adequate probability of receipt. Income recognition policies are detailed in the accounting policy for income. When it is considered that the key criteria of entitlement, probability and measurement for income recognition are not fulfilled for a transaction, income recognition is delayed until these have been judged to have been met. Payments received in advance of income recognition are recorded as deferred income.
- ii. Tangible fixed assets - the charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life. Increasing an asset's expected life would result in a reduced depreciation charge. The useful lives of Blue Cross' assets are determined at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Depreciation policy is detailed in the accounting policy for depreciation.

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2018

iii. Accruals, provisions and contingencies - Expenditure incurred in the reporting period where there is uncertainty as to the final amount to be paid is accounted for on the basis of an estimated value where this treatment is viewed as appropriate. An accrual is recognised when it is probable that an obligation exists for which a reliable estimate can be made. The amount may change in the future due to new developments or as additional information becomes available. Matters that either are possible obligations or do not meet the recognition criteria for a provision are disclosed as contingent liabilities, unless the possibility of transferring economic benefits is remote, in which case no reference is made.

iv. Classification of leased assets - leases held are analysed in order to determine where the risk and reward of the ownership of the asset lies and subsequently classified as either operating or finance leases. The accounting policy for leases has been applied to these arrangements and additional assets are recognised within tangible fixed assets.

c. Income

All income is recognised when the Charity is entitled to the income, it is probable that income will be received and the amount can be measured reliably. Specific policies for certain types of income are as follows:

- i. Raffle income is recognised when the cash is received and sponsorship income is accounted for when receivable
- ii. Income from Blue Cross Shops includes the sale of donated goods through shops and the income is recognised when the goods are sold and the payment received
- iii. Income from trading subsidiaries is represented by the commission receivable and on goods sold during the year, excluding VAT
- iv. Investment income is accounted for when receivable
- v. Clinical, Rehoming and Rehabilitation income is accounted for when receivable and includes any associated donations
- vi. Gifts in kind are valued at true cost where material and quantifiable
- vii. The policy for legacy income is shown in note 2d below

d. Legacies

Incoming resources are included gross in the Statement of Financial Activities when the charity is entitled to the income at the date of probate, provided that sufficient information has been received to value the charity's entitlement. Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Residuary legacies are recognised as receivable once probate has been granted and they can be valued with reasonable certainty. Legacies are included at 95 per cent (2017: 90 per cent) of the estimated value to reflect the inherent uncertainty that exists where a substantial proportion of the estimated income is represented by property and other investments whose value is subject to market fluctuations until realised. This rate is based on historical rates of actual receipts.

Blue Cross is also entitled to receive income from approximately another 142 legacies (2017: 132), which are subject to life tenancies and trust funds and which mainly comprise shares in properties and investments. As Blue Cross' interest is reversionary, income from these legacies is not recognised at this stage.

Blue Cross maintains a legacy pipeline system, which in addition to including the above includes further estimated legacy values that do not meet the recognition criteria, and which therefore have not been included in these accounts. See note 3.

e) Tangible Fixed Assets

Tangible fixed assets represent freehold land and buildings, motor vehicles and equipment. All fixed assets with an expected life of more than one year are included at cost and depreciated on the basis outlined below. Freehold land and buildings are stated at cost.

f) Intangible Fixed Assets

Intangible fixed assets represent licences and warranties in respect of purchased software and hardware. These are stated at cost less accumulated amortisation. The cost includes cost of asset purchases and other directly attributable costs.

g) Depreciation

The depreciation is charged from the date of acquisition or practical completion of works. The Board has set depreciation rates that are prudent and realistic and use the following rates, all on a straight line basis, to reduce by annual instalments the cost of the tangible assets over their estimated useful lives:

Freehold properties - hospitals and administration	50 years
Freehold properties - rehoming centres	25 years
Leasehold improvements	5 years
Equipment	4 years
Motor vehicles	3 years
PC and other IT equipment	4 years
Software Warranties and Licenses	4 years

The land element of properties is not depreciated but is tested for impairment.

All additions to fixed assets purchased for more than £5,000 (PC and other IT equipment for more than £500) are depreciated on the basis outlined above. Those that cost less than £5,000 (PC and other IT equipment that cost less than £500) are written off in the year of acquisition.

h) Investments

Investments held as fixed assets are revalued at bid price at the balance sheet date, except for investments in subsidiaries which are valued at cost. The gain or loss for the period is taken to the Statement of Financial Activities.

i) Stocks

Stocks are valued at the lower of cost and net realisable value. Full provision is made for slow moving and obsolete items. The cost comprises raw materials, direct labour and other direct costs but excludes borrowing costs.

Stocks also include property under development for future sale.

j) Expenditure

All expenditure is accounted for on an accruals basis and has been listed under headings that aggregate all costs relating to that category. Where costs cannot be directly attributed to an activity or function they have been allocated on a basis of head count, along with a fair proportion of overhead costs.

Costs of generating funds relate to those costs incurred in seeking voluntary donations or as incurred in publicising or marketing the charity. All investment management charges and the costs associated with the trading company, Blue Cross Trading Company Limited, are also included. Charitable activities are all costs incurred in meeting the core objectives of the charity. Dilapidations have been calculated on properties where the lease has or is about to expire. Irrecoverable VAT is included in relevant expense categories.

Governance costs are the costs associated with the governance arrangements of the charity. This includes internal and external audit fees and other costs that have arisen from constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

The support cost of management and administration of the charity (including governance costs), comprising the salary and overhead costs of the central function, is apportioned to charitable activities on the basis of an estimate of staff time attributable to each activity as follows:

	2018	2017
	%	%
Cost of generating funds	8.17	7.68
Service Delivery:		
Clinical	29.22	29.09
Rehoming	38.40	38.56
Raising awareness	4.40	4.26
Blue Cross shops	16.60	16.96
Advice and support	2.80	2.92
Governance Costs	0.41	0.53
	100.00	100.00

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2018

k) Operating Leases

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight line basis over the minimum lease term.

l) Pensions

The Charity contributes to a 'money purchase' pension scheme for salaried employees. Payments made to the scheme and charged in the accounts comprise current contributions. Pension contributions are charged to the Statement of Financial Activities as incurred. The pension cost charge represents contributions payable under the terms of the employees' contracts. The Charity has no pension liabilities other than for the payment of those contributions.

m) Funds

Restricted funds represent funds which are to be used in accordance with the specific restrictions imposed by the donors or which have been raised for particular purposes. The aim and use of each restricted fund is set out in notes to the financial statements. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives and which have not been designated for other purposes.

n) Financial Instruments

Blue Cross only holds basic financial instruments. Investments are measured at fair value and shown in note 9 to the accounts. Financial instruments held within current assets and current liabilities are measured at the cash expected to be paid or received which is considered to be amortised cost and is shown in notes 11 and 12. The bank loan (note 13) is measured at the value drawn and any associated costs have been taken to the Statement of Financial Activities.

o) Going Concern

The directors are of the opinion that the company has adequate resources to continue to operate for the foreseeable future, being not less than one year from the date of approval of these financial statements. For this reason, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

p) Volunteers time

The Charity does not attempt to put a financial value on the hours of work that it receives for free each year from its thousands of volunteers. Therefore the accounts do not include any income or costs with respect to this time.

3. Total Income

	Group	
	2018 £'000	2017 £'000
Donations and legacies		
Donations and gifts	8,314	9,031
Legacies received	22,190	20,502
Events, raffle and sponsorship	765	600
	31,269	30,133
Charitable activities		
Clinical	1,381	1,319
Rehoming	964	910
Advice and support	84	55
	2,429	2,284
Other trading activities		
Income from Blue Cross shops	4,190	4,016
Income from trading subsidiaries	695	757
	4,885	4,773
Investment income		
Investment income received & receivable	860	829
Interest received & receivable	9	6
	869	835
Net profit on sale of asset	-	939
Total income	39,452	38,964

At the year-end the charity was aware that it was a beneficiary of an estimated 252 (2017: 227) legacies where, either it was not certain that the legacy would be received, or the value could not be reliably measured. The current estimate of the total amount concerned is £3.48m (2017: £3.29m).

Total gross income for the parent entity during the year was £39.97m (2017 £38.65m).

Notes to the financial statements (cont'd)

for the year ended 31 December 2018

4. Total Expenditure

	Raising funds £'000	Other trading activities £'000	Clinical £'000	Rehoming £'000	Raising awareness £'000	Advice and support £'000	Governance £'000	Support costs £'000	Group 2018 Total £'000	Group 2017 Total £'000
Staff costs (note 6)	(1,728)	(2,088)	(6,203)	(5,235)	(906)	(724)	(28)	(3,526)	(20,438)	(19,964)
Other staff related costs	(77)	(47)	(124)	(64)	(38)	(13)	(11)	(193)	(567)	(517)
Service delivery	-	-	(1,689)	(973)	-	-	-	-	(2,662)	(2,433)
PR and marketing	(3,336)	(20)	(19)	(2)	(2,013)	(52)	-	(12)	(5,454)	(6,300)
Trading costs	-	(262)	-	-	-	-	-	-	(262)	(312)
Property	(11)	(1,892)	(344)	(692)	(17)	(17)	-	(248)	(3,221)	(3,060)
Equipment and IT	(18)	(73)	(168)	(146)	(69)	(5)	-	(1,097)	(1,576)	(1,267)
Depreciation	-	(100)	-	-	-	-	-	(1,616)	(1,716)	(1,810)
Transportation costs	(67)	(136)	(93)	(305)	(33)	(56)	-	(135)	(825)	(700)
Other operating costs	(203)	(115)	(41)	(59)	(142)	(44)	(19)	(770)	(1,393)	(1,257)
Grants	-	-	(11)	-	-	-	-	(20)	(31)	(40)
Total	(5,440)	(4,733)	(8,692)	(7,476)	(3,218)	(911)	(58)	(7,617)	(38,145)	(37,660)
Governance reallocation	(5)	(10)	(16)	(22)	(3)	(2)	58	-	-	-
Support costs reallocation	(624)	(1,278)	(2,232)	(2,938)	(333)	(212)	-	7,617	-	-
Total 2018	(6,069)	(6,021)	(10,940)	(10,436)	(3,554)	(1,125)	-	-	(38,145)	(37,660)
Total 2017	(5,273)	(6,006)	(10,359)	(10,178)	(4,753)	(1,091)	-	-		(37,660)

Governance costs and support costs are allocated on a fulltime equivalent headcount basis-see Accounting Policy (2j).

5. Net Income from the Financial year is states after charging/(crediting):

	Group	
	2018 £'000	2017 £'000
Depreciation of fixed assets	1,716	1,810
(Gain)/ Loss on Disposal	-	(939)
Operating lease rentals:		
Buildings	1,454	1,389
Vehicles	245	244
Office Equipment	3	3
Auditor's Remuneration (incl. expenses, excl. VAT):		
Fees for the audit of the financial statements	38	35
Fees for other services	8	12

6. Employees

	Group	
	2018 £'000	2017 £'000
Wages and salaries	(17,218)	(16,727)
Social security costs	(1,596)	(1,568)
Pension contributions	(1,132)	(1,141)
	(19,946)	(19,436)
Other staff costs	(492)	(528)
	(20,438)	(19,964)

In 2018 the remuneration committee approved total settlement payments of £36,176 made to two individuals (2017: £23,075 made to three individuals); in addition a redundancy payment totalling £38,029 was made to 10 individuals (2017: £12,215 was made to one individual). No amounts were outstanding at the end of the year.

The average weekly number of employees engaged in the activities of the Charity during the year, shown as number of employees and full time equivalents, was:

Group	2018 Average	2017 Average	2018 FTE	2017 FTE
Generating voluntary income	59	54	52	48
Raising awareness	30	28	28	27
Blue Cross shops	159	165	105	107
Clinical	221	217	186	183
Rehoming	276	280	244	244
Advice and support	21	21	18	18
Governance	3	3	3	3
	769	768	636	630

The Executive team, as defined in the Trustee Report, received total remuneration including pension contributions and employees National Insurance of £862,899 (2017: £899,451).

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

Group	2018 Number	2017 Number
£60,001 - £70,000	9	3
£70,001 - £80,000	1	2
£80,001 - £90,000	4	4
£90,001 - £100,000	-	-
£100,001 - £110,000	1	1
£120,001 - £130,000	1*	1*

*Denotes Chief Executive.

Notes to the financial statements (cont'd)

for the year ended 31 December 2018

Contributions made in the year for the provision of money purchase pension schemes totalled £82,752 for those 16 employees (2017: £71,228 for 11 employees).

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

Travelling and subsistence expenses were reimbursed to eight Trustees and amounted to £6,385 (2017: six Trustees £8,294).

Trustee Indemnity Insurance was provided in the year at a total cost of £2,681 to the Charity (2017: £2,554).

7. Taxation

The company is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly the company is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Blue Cross Trading Company Limited makes qualifying donations of taxable profits to Blue Cross. No corporation tax liability arose in the year.

8. Tangible fixed assets

Group and Charity	As at 31 December 2018						As at 31 December 2017	
	Freehold land and buildings £'000	Leasehold improvement £'000	Equipment £'000	Motor Vehicles £'000	Computers £'000	Assets under construction £'000	Total £'000	Total £'000
Cost								
At 1 January	35,775	1,356	1,272	152	2,044	467	41,066	39,661
Additions	302	57	342	26	109	256	1,092	1,747
Disposals	(363)	-	-	-	-	-	(363)	(342)
Transfers	453	-	-	-	-	(453)	-	-
At 31 December	36,167	1,413	1,614	178	2,153	270	41,795	41,066
Depreciation								
At 1 January	(14,072)	(1,183)	(965)	(149)	(1,489)	-	(17,858)	(16,277)
Charge for the year	(1,136)	(99)	(145)	(10)	(324)	(2)	(1,716)	(1,810)
Disposals	255	-	-	-	-	-	255	229
At 31 December	(14,953)	(1,282)	(1,110)	(159)	(1,813)	(2)	(19,319)	(17,858)
Net Book Value								
At 31 December	21,214	131	504	19	340	268	22,476	23,208
Net Book Value								
At 1 January	21,703	173	307	3	555	467	23,208	23,384

Assets under course of construction relate to the build project at Manchester, Sheffield, Kimpton and Burford (2017: Lewknor). The transfer in 2018 related to Lewknor building completion.

8. Tangible fixed assets (cont)

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Net receipts on sale				
Building and land	-	1,053	904	1,053
Less:				
Cost of Sales	-	(114)	(108)	(114)
Administration and fees	-	-	(11)	-
Profit on Sale of Asset	-	939	785	939

In 2018 the Charity has sold a Northiam Property (St Francis Fields, Main Street, Northiam, TN31 6LP) to its subsidiary Blue Cross Trading Company Limited.

9. Investments

Group and Charity	2018 £'000	2017 £'000
Market value at 1 January	35,781	30,808
Investment cash at 1 January	78	701
	35,859	31,509
Disposals at brought forward market value	(25,002)	(3,582)
Acquisitions at cost	20,218	5,152
Cash realised and held for future investment	2,533	(955)
Unrealised gains/(loss) on revaluation	(2,102)	3,403
Unrealised gains/(loss) on disposal	(171)	254
Market value at 31 December	31,335	35,781

The above investments consist of:	UK	Non-UK	2018 £'000	2017 £'000
Fixed Interest securities	2,381	526	2,907	2,219
Other listed shares and securities	13,910	12,078	25,988	33,562
Cash	2,440	-	2,440	-
	18,731	12,604	31,335	35,781
Historical cost as at 31 December			30,826	25,404

At 31 December 2018 total cash from investment was £5.4m with £3m being shown as cash and cash equivalents on the Statement of Financial Position held by our investment advisors on short term deposits, and remaining £2.4m is shown as cash for future investments.

The increase in disposals and acquisitions in 2018 compared with 2017 was due to the transition of the Charity's investment portfolio to a value based approach under the Charity's revised investment policy. The revised policy focuses on ethical investment in order to be closely aligned with the Charity's values.

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2018

10. Stocks

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Veterinary drugs for charitable purposes	135	92	135	92
Goods for resale	156	174	-	-
Property held for resale	108	-	-	-
	399	266	135	92

11. Debtors

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Due within one year				
Income Tax Recoverable	350	411	350	411
Trade debtors	32	9	7	9
Amounts owed by group undertakings	-	-	208	195
Legacy debtors	14,805	11,250	14,805	11,250
Other debtors	322	184	298	176
Prepayments and accrued income	965	956	965	956
Loan to The Irish Blue Cross	-	20	-	20
	16,474	12,830	16,633	13,017
Due after more than one year				
Loan to Blue Cross Trading Company Ltd	-	-	904	-
Total Debtors	16,474	12,830	17,537	13,017

During 2018 a long term loan of £904,350 was given to Charity's subsidiary - Blue Cross Trading Company Limited, secured on the Northiam Property at the published base rate of Barclays Bank Plc +3%. This is repayable in two years from the sale of the property or earlier on demand by the Charity. Blue Cross Trading Company Limited may repay early the whole or any part of the loan at any time. The interest is due to be paid at the loan's repayment date.

12. Creditors: amounts falling due within one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade creditors	(1,114)	(598)	(1,058)	(597)
Social security and other taxes	(465)	(377)	(394)	(377)
Other creditors	(1)	(148)	(1)	(179)
Accruals and deferred income	(1,461)	(1,373)	(1,457)	(1,312)
Bank Loan	(900)	-	(900)	-
	(3,941)	(2,496)	(3,810)	(2,465)

The deferred income balance at 1 January 2018 was £321,851, the amount released to income in the year was £321,851 and the amount deferred in the year was £19,648. The deferred income relates to Pet Bereavement Support Service (PBSS) telephone line and London Marathon Sponsorship

13. Creditors: amounts falling due after more than one year

	Group		Charity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank Loan	(8,100)	(7,000)	(8,100)	(7,000)
	(8,100)	(7,000)	(8,100)	(7,000)

During 2016 a long term loan of £10m was taken out secured on the Victoria Property (Sheppard House, 1-5 Hugh Street, SW1V 1QQ) at Base Rate +1.25%. This is repayable over three years, the first payment of £900k due in 2019, second of £2.7m in 2020 with the remaining £5.4m in 2021.

During 2017 an early repayment of £3m was made leaving a balance of £7m at 31 December 2017. And during 2018 a drawdown of £2m was made to facilitate business needs, leaving the balance of £9m at 31 December 2018, with £0.9m being repayable within one year (note 12 – Bank Loan).

14. Analysis of net assets between fund

Group	2018		Total funds £'000	2017		Total funds £'000
	Restricted £'000	Unrestricted £'000		Restricted £'000	Unrestricted £'000	
Tangible fixed assets	-	22,476	22,476	-	23,208	23,208
Investments	-	31,335	31,335	204	35,577	35,781
Net current assets	2,804	8,023	10,827	1,235	5,380	6,615
Net assets at the end of the year	2,804	61,834	64,638	1,439	64,165	65,604

Notes to the financial statements (cont'd)

for the year ended 31 December 2018

15. Movement in funds

	At 1 January 2018	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (Losses) £'000	At 31 December 2018 £'000
Restricted funds:						
<i>With transactions above £250k:</i>						
Cambridge running costs	344	336	(407)	-	-	273
Suffolk running costs	52	273	(325)	-	-	-
Hertfordshire capital	117	476	-	-	-	593
Victoria running costs	-	2,302	(1,243)	-	-	1,059
Other Restricted Funds	926	2,047	(2,094)	-	-	879
Total restricted funds	1,439	5,434	(4,069)	-	-	2,804
Unrestricted funds	64,165	34,018	(34,076)	-	(2,273)	61,834
Total funds	65,604	39,452	(38,145)	-	(2,273)	64,638

	At 1 January 2017	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (Losses) £'000	At 31 December 2017 £'000
Restricted funds:						
<i>With transactions above £250k:</i>						
Burford capital	-	407	(407)	-	-	-
Cambridge running costs	-	628	(284)	-	-	344
Hertfordshire capital	-	242	(124)	-	-	117
Thirsk running costs	-	526	(526)	-	-	-
Victoria running costs	-	1,743	(1,743)	-	-	-
Other Restricted Funds	876	1,761	(1,285)	(375)	-	978
Total restricted funds	876	5,307	(4,369)	(375)	-	1,439
Unrestricted funds	59,767	33,657	(33,291)	375	3,657	64,165
Total funds	60,643	38,964	(37,660)	-	3,657	65,604

16. Blue Cross (D&B) Company Limited

Blue Cross (D&B) Company Limited (Company number 4879277, registered address Shilton Road, Burford, Oxfordshire OX18 4PF) is a wholly owned subsidiary whose main activity is to undertake the design and building of the charity's hospitals and rehoming centres in the most cost effective manner for the benefit of the charity. Its turnover is derived from invoicing the charity at cost for each major capital project as the costs are incurred. Any net profits would be transferred to Blue Cross by way of charitable donation. Blue Cross (D&B) Company Ltd. was dormant during 2018 and 2017.

17. Blue Cross Trading Company Limited

Blue Cross Trading Company Limited (Company number: 2203092, registered address Shilton Road, Burford, Oxfordshire OX18 4PF) is a wholly owned subsidiary whose primary purpose is to generate income for the Charity. The trading activities are primarily sale of new goods through Blue Cross shops and commission and licensing agreements. Net taxable profits are transferred to Blue Cross by way of a charitable donation.

In 2018 Blue Cross Trading Company Limited purchased from Blue Cross the site of the Charity's former Northiam rehoming centre for £904,000. This is being held in stock as the company is intending to sell the site, having maximised its value by investigating possible development opportunities on it. A summary of the trading result for 2018 is shown below:

Income Statement	2018 £'000	2017 £'000
Turnover	695	757
Cost of Sales		
Stock brought forward	174	56
Purchases	(1,148)	426
Stock carried forward	(1,061)	(174)
	(261)	(308)
Gross profit	434	449
Administration expenses	(4)	(4)
Management charge from Blue Cross	(36)	(35)
Profit on ordinary activities before taxation	394	410
Taxation	-	-
Profit on ordinary activities after taxation	394	410
Qualifying charitable deduction	(394)	(410)
Retained profit for the financial year	-	-
Statement of Financial Position		
Total assets	1,244	227
Total liabilities	(1,244)	(227)
Net assets	-	-

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2018

18. Related parties, subsidiary charities and welfare associates

The Irish Blue Cross	2018 £'000	2017 £'000
Grant in the year	20	20

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

The following Trustees of Blue Cross were also Trustees of the Irish Blue Cross during the year to 31 December 2018:

Zair Berry FCA
The Hon Henrietta Roper-Curzon
Colonel Neil C Smith
Stephen Swift

Other than the transactions with its subsidiaries, which are disclosed in note 11, 16 and 17, and the above transactions with the Irish Blue Cross there have been no other related party transactions.

Subsidiary Charities

The following dormant charities are classified as subsidiary charities on the Charity Commission's Register. Their reserves from the point they became dormant are included in the Blue Cross charity accounts and are now managed through the restricted reserves. In accordance with the provisions of the Charities Acts regarding small charities, the Charity aims to utilise any small funds held by its subsidiary charities.

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

Welfare Associates

Blue Cross has supported the following charities by giving them grants to assist in the execution of their work:

	2018 £'000	2017 £'000
The Mayflower Sanctuary		
Amount of grant	-	20

Blue Cross is a member of Together for Animals (charity number 1102985) which is a registered charity incorporated as a company limited by guarantee and not having a share capital. Blue Cross's liability as a member is restricted to £10. Together for Animals co-ordinates and promotes payroll giving to benefit the work of five animal charities, including Blue Cross, on a scale that would not be economic for the charities to carry out on an individual basis.

19. Leases and other commitments

At 31 December 2018 the total committed to operating lease payments in future years was:

	2018 £'000	2017 £'000
Leases for land and buildings:		
Expiring within one year	1,368	1,236
Expiring between one and five years	3,674	3,572
Expiring thereafter	988	929
Leases for vehicles:		
Expiring within one year	153	173
Expiring between one and five years	251	276
Expiring thereafter	-	-
Leases for equipment:		
Expiring within one year	2	1
Expiring between one and five years	6	7
Expiring thereafter	-	-
Total	6,442	6,194

Details of commitments at the accounting date are as follows:

	2018 £'000	2017 £'000
Contracted for but not provided for:		
Burford Refurbishment	-	(31)
Lewknor	(18)	(178)
Manchester Rehoming and Advice Unit (RAU)	(15)	-
Hertfordshire build	(77)	-
Burford build	(3)	-
	(113)	(209)

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

Notes to the financial statements *(cont'd)*

for the year ended 31 December 2018

19. Leases and other commitments *(cont'd)*

Expenditure planned over next five years but not contracted for:

	2018 £'000	2017 £'000
Clinical	(3,950)	(2,839)
Rehoming	(4,573)	(3,759)
Blue Cross shops	(1,401)	(456)
Infrastructure	(4,767)	(1,200)
Total planned expenditure	(14,691)	(8,254)

20. Pensions

The Charity contributes to a 'money purchase' and private pension scheme for salaried employees. Payments made to the scheme and charged in the accounts comprise current contributions. These contributions payable by the Charity amounted to £1,131,534 (2017: £1,141,112). All contributions were paid in the year.

21. Contingency liability

Blue Cross, on occasion, is required to give indemnities to the Executors of estates where Blue Cross is a beneficiary. The charity does not expect these indemnities to crystallise before expiry and aims to ensure that such indemnities are limited to the value of Blue Cross's share of the legacy, have the earliest possible expiry date, and are not given on a joint and several basis. The total value of indemnities given, but not provided in the accounts, outstanding as at 31 December 2018 is £432k (2017: £668k).

Reference and administrative details

For the year ended 31 December 2018

Company number: 363197
Charity number in England and Wales: 224392
Charity number in Scotland: SC040154

Registered office and operational address:

Shilton Road
Burford
Oxfordshire
OX18 4PF

Honorary Members

The Rt Hon Earl Cadogan DL
The Lord Kirkham CVO
Mr and Mrs A Langton
WJB Sneath
Sir John Spurling KCVO OBE
RT Vyner CBE

Ambassadors

Pam Ferris
Kris Glover (resigned 13 March 2018)
Mary King MBE (appointed November 2018)
Chris Packham CBE
Colonel Neil Smith (appointed 22 June 2018)
Lord Trees

Trustees

Trustees, who are also directors under company law and who served during the year and up to the date of this report were as follows:

Tim Porter FCA (Chairman)
Zair Berry FCA
Catherine Brown
Professor Stuart Carmichael BVMS, MVM, DSAO, MRCVS (appointed 21 June 2018)
Amy Clarke
Sue Ellis (appointed 21 June 2018)
Clive Everest MA, FCA
Caroline Gosling (appointed 13 December 2018)
Vicky Hemming
Dr Tim Hutton MSc VetMB MRCVS
Nico Lutkins
Chris Martin BSc (appointed 21 June 2018)
The Hon Henrietta Roper-Curzon (Vice-Chairman)
Rt Revd David Rossdale (resigned 29 March 2018)
Colonel Neil C Smith MRCVS (resigned 21 June 2018)
Dr Jeremy Stewart BVetMed CertVR MRCVS
Stephen Swift (Vice-Chairman)
Deirdre Walker (resigned 13 December 2018)

Independent Board Members

Dr Nick Park BVetMed (appointed 21 June 2018)
Caroline Gosling (appointed 21 June 2018, resigned 13 December 2018)

Chief Executive

Sally de la Bedoyere

Secretary

Adele Fuller (resigned 14 September 2018)
Iain Heaton (appointed 14 September 2018)

Bankers

Barclays Bank plc
Wytham Court
11 West Way
Oxford
OX2 0JB

Solicitors

BDB Pitmans LLP
50 Broadway
Westminster
London
SW1H 0BL

Bates Wells Braithwaite LLP
10 Queen Street Place
London
EC4R 1BE

Wilson Solicitors LLP
4 Lincoln's Inn Fields
London
WC2A 3AA

External auditors

BDO LLP
2nd Floor, 2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Investment managers

Rathbone Greenbank Investments
8 Finsbury Circus
London
EC2M 7AZ

Thank you

We would like to pay particular acknowledgement and thanks to the following trusts, companies and individuals for their generous support during 2018.

Corporate Partners

Burgess Pet Care
Dodson and Horrell
Higher Nature
Mars Petcare UK
National Veterinary Services Limited
Oasis
Pet Plan Limited
Pets at Home Group PLC
Splosh
Vet Partners

Trusts and Foundations

The Sir Peter O'Sullivan Charitable Trust
The Dr Sheila Millar-Danks Charitable Trust
The Cadogan Charity
The Sylvia & Stanley Moss Trust
The Rose Animal Welfare Trust

Individuals

Kateryna and John Downer
Michael Price
Anne Stratton

We would also like to thank our partners across the animal charity sector with whom we have worked closely throughout 2018 to share resource and knowledge, and as such make a positive impact on the lives of pets and their owners.



Kateryna and John Downer's dog Bingo, rehomed from our Southampton rehoming centre

In memory

We would like to pay tribute to the following members of our Blue Cross family who sadly passed away during the year.

Janice Hunsley, Nurse Manager at Grimsby animal hospital with an amazing 48 years service

Adrian Rowbotham, Member and former Trustee

Blue Cross animal hospitals

- 1. Victoria
- 2. Hammersmith
- 3. Merton
- 4. Grimsby

Blue Cross rehoming and advice units

- 16. Newport
- 17. Sheffield
- 18. Manchester

Blue Cross rehoming centres

- 5. Bromsgrove
- 6. Burford
- 7. Cambridge
- 8. Hertfordshire
- 9. Lewknor
- 10. Rolleston
- 11. Southampton
- 12. Suffolk
- 13. Thirsk
- 14. Tiverton
- 15. Torbay

Blue Cross pet care clinics

- 19. Ashford
- 20. Cwmbran
- 21. Derby
- 22. Luton
- 23. Torbay
- 24. York

25. Irish Blue Cross



National Rehoming Network - home schemes

- 26. Hampshire
- 27. County Durham
- 28. Kent
- 29. Surrey
- 30. W. Yorkshire
- 31. Bolton
- 32. Staffordshire




National Rehoming Network - college schemes

- 33. Nescot
- 34. South Devon
- 35. Lackham
- 36. Solihull
- 37. Hopwood Hall
- 38. Petroc
- 39. Boston
- 40. Usk
- 41. Hadlow
- 42. Grimsby
- 43. Myerscough
- 44. Moreton Morrell

Our 57 charity shops sell donated goods to raise money for pets in need.



Blue Cross, Shilton Road
Burford, Oxon OX18 4PF
T 0300 777 1897
info@bluecross.org.uk
bluecross.org.uk

-  thebluecrossUK
-  The_Blue_Cross
-  thebluecrossUK

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