

The Blue Cross

Reference and administrative details

For the year ended 31 December 2010

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

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

Zair Berry FCA (Chairman from 28/07/2010)
Bill King (Vice Chairman, resigned 19/11/2010)
Walter Beswick MRCVS (Deceased 01/02/2011)
Peter Brooks
Dr Andrew Edney MRCVS
Roger Green MRCVS
Tim Hutton MRCVS
Julie Hyde RGN MA
Andrew Prebble
Mervyn Reed FCA
The Hon Henrietta Roper-Curzon
Adrian Rowbotham
Diane Sinclair LLB QDR (Chairman to 28/07/2010)
Dr David Watt PhD FRICS

Honorary President Tom Vyner CBE

Secretary to the Board Kim Hamilton MSc

Bankers

National Westminster Bank Plc 141 Ebury Street London SW1W 9QP	The Co-operative Bank Langford Lane Kidlington Oxford OX1 1LQ
---	---

Solicitors

Bircham Dyson Bell LLP 50 Broadway Westminster London SW1H 0BL	Wilsons Solicitors LLP 4 Lincoln's Inn Fields London WC2A 3AA
--	--

The Blue Cross

Reference and administrative details

For the year ended 31 December 2010

External auditors	The Gallagher Partnership LLP Chartered Accountants Registered Auditors Titchfield House 69/85 Tabernacle Street London EC2A 4RR
Internal Auditors	Grant Thornton UK LLP Enterprise House 115 Edmund Street Birmingham B3 2HJ
Investment Managers	Rathbones Investment Management Limited 159 New Bond Street London W1S 2UD

The Blue Cross

Report of the trustees

For the year ended 31 December 2010

The trustees present their report and the audited financial statements for the year ended 31 December 2010.

Reference and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005).

Structure, governance and management

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.

The Blue Cross is governed by a Board of Trustees, all of whom are Members of the Charity. The trustees meet a minimum of four times per year. The Articles of Association require a minimum of five trustees with no upper limit. During the year the actual number of trustees varied between 13 and 14, as shown on page 1.

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

On appointment new trustees are provided with appropriate Charity Commission guides, The Blue Cross Handbook, a copy of the memorandum and articles of association, a full set of the Charity's policies, the current strategic plan, the latest statutory accounts and an outline of their duties and responsibilities. New trustees meet with the Chief Executive to undertake an induction process.

In addition to the main Board there are five sub-committees which operate under the delegated authority of the full Board and advise or make recommendations to the Board. These committees are: Finance and Support Committee (FISCO), the Audit Committee (AUDIT), the Service Delivery Committee (SEDCO), Commercial and Retail Committee (COMCO), Investment Management Committee (ISC). Membership of these sub-committees at 31 December 2010 is shown below:

Walter Beswick MRCVS	AUDIT, SEDCO
Peter Brooks	FISCO, COMCO, ISC
Dr Andrew Edney MRCVS	AUDIT, SEDCO
Roger Green MRCVS	AUDIT, SEDCO
Tim Hutton MRCVS	AUDIT, SEDCO
Julie Hyde RGN MA	AUDIT (Chairman)
Andy Prebble	FISCO, SEDCO, ISC (Chairman)
Mervyn Reed FCA	FISCO (Chairman), AUDIT, ISC
The Hon Henrietta Roper-Curzon	COMCO, SEDCO
Adrian Rowbotham	FISCO, COMCO (Chairman)
Dr David Watt PhD FRICS	FISCO, AUDIT, ISC

As Chairman of the Board of Trustees, Zair Berry is an ex-officio member of all sub-committees.

The Blue Cross

Report of the trustees

For the year ended 31 December 2010

All trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 8 to the accounts.

The articles of association require that a third of the Board of Trustees retires by rotation. The following trustees retired by rotation and, all being eligible, were re-elected to the Board at the Annual General Meeting held on 28 July 2010:

Roger Green MRCVS
Julie Hyde RGN MA
Andrew Prebble
Dr David Watt PhD FRICS

The risk and control framework

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of The Blue Cross policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. Whilst risk has been managed using local arrangements within individual areas of the charity's operations, a more formal and enterprise-wide approach was introduced during 2010 and is still becoming embedded across the organisation.

The Blue Cross has a structured risk management process and responsibility lies with the Executive Team for the identification, assessment and management of the risks. The risk appetite is set by the Board of Trustees and is applied on a risk-by-risk basis.

The risk management policy:

- explains the organisation's approach to risk management;
- provides risk definitions;
- raises awareness of the principles and benefits involved in the risk management process;
- establishes a common language and the different levels of risk appetite, impact and likelihood;
- establishes the responsibilities towards risk for both officers and trustees; and,
- identifies the main reporting procedures and promotes good risk management practice within The Blue Cross.

Operational level risks are managed and monitored by directors and senior managers. However, encompassing this way of working into the recently introduced enterprise-wide approach that covers strategic risks is an area for development in 2011.

The Blue Cross has engaged Grant Thornton to provide the current programme of internal audits. The internal auditors report regularly on internal audit activity within The Blue Cross. The work of the internal auditors for 2010 was informed by their own analysis of the key risk exposures facing The Blue Cross and through discussion with Executive Team members and the Audit Committee.

The Blue Cross

Report of the trustees

For the year ended 31 December 2010

The Chief Executive Officer has responsibility for reviewing the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and comments made by the external auditors in their management letter and other reports. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Day to day management

The trustees delegate responsibility for the day to day management of the Charity to the Chief Executive and the Executive Team (ET) who also attend Board meetings and sub-committee meetings as required. The ET reports to the Board on the performance of their respective Directorates against the strategic Plan set out by the Trustees and financial and operational trends measured against the annually approved budget. Key performance indicators are in place to facilitate this process. Members of the ET at the 31 December 2010 was as follows:

Chief Executive	Kim Hamilton
Director of Service Delivery	Christian Bamber
Director of Human Resources	Rachel Briggs
Director of Fundraising	Vacant
Director of Commercial and Retail (appointed 1 March 2010)	Mark Evans
Director of External Affairs	Steve Goody
Director of Finance and Resources (resigned 31/01/2011)	Neil Smith

Objectives and activities

Mission statement: To provide a service, meeting all the welfare needs of companion animals through treatment, advice and support and finding them new homes.

The principal objective of the charity is to encourage and promote kindness to and the protection of animals and to educate the public in responsible animal ownership.

Our key goals to achieve this mission are to increase our impact by helping more animals and their owners, to have a greater recognition of The Blue Cross and what we do, to operate as a single integrated organisation, to be financially sound and thereby have a sustainable future.

The trustees review the aims, objectives and activities of the charity each year. This report looks at what the charity has achieved and the outcomes of its work within the last twelve months. The trustees report the success of each key activity and the benefits the charity has brought to those groups of people that it is set up to help. The review also helps the trustees ensure the charity's aims, objectives and activities remained focused on its stated purposes.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.

Membership

On 31 December 2010 there were 57 members of the Blue Cross, each paying an annual subscription and entitled to vote at the AGM. Admission to membership requires approval from the trustees.

The Blue Cross

Report of the trustees

For the year ended 31 December 2010

Volunteers

We are very aware of the importance of our volunteers in all aspects of the Charity's current activity and the part that they will play in our future growth. We recognise the need to continue to invest in the resourcing and management of our volunteer programmes to enable them to support the charity in the years ahead. 2010 continued to be a year of significant growth for our volunteer programme. We now have approximately 2,000 registered volunteers (2009 - 1,500) who provided a total of over 174,837 hours to the charity in 2010, an 18% increase on the 145,000 hours given in 2009. Our volunteers help in many areas of the charity from animal care through to administrative work and the value of this contribution is worth over £1.2 million to the charity.

Employees

Our staff are vital to the delivery of our charitable objectives. We encourage a culture of openness, honesty and respect, which is achieved through clear and transparent communication. The Charity continues to hold Investors in People accreditation, which is evidence of its commitment to and practical application of, staff communication and development.

Supporters

Our loyal supporters are the lifeblood of the charity, without whom we would not exist. The Charity does not receive any government funding and therefore is dependent on the generous donations, whether through lifetime giving or legacies to sustain the charity.

Equality and diversity statement

The Blue Cross recognises and encourages the valuable and important contribution made by all who volunteer and work here. We believe that people from a range of backgrounds and experiences can enhance the work we do and that all individuals should be treated on the basis of individual merit and without prejudice.

We will provide services which actively promote equality of opportunity and freedom from discrimination on the grounds of age, cultural background, class, disability, ethnicity, gender, religion or sexual orientation in both volunteer opportunities and employment.

Achievements and performance in the delivery of public benefit

The charity's main activities and who it tries to help are described below. All its charitable activities focus on our mission and are undertaken to further The Blue Cross's charitable purposes for the public benefit.

Primary beneficiaries of our services are companion animals and their owners.

The Blue Cross

Report of the trustees

For the year ended 31 December 2010

Service Delivery

Rehoming

The demand for our services at our adoption centres was steady during the year, and we cared for 3,890 cats (2009 – 3,950), 2,507 dogs (2009 - 2,490) and 401 (2009 - 419) other domestic pets through our 11 adoption centres, Rehoming Pet Fostering Scheme and Home Direct Scheme.

Our equine welfare services had a total of 621 (2009 - 642) horses under guardianship. In addition to 495 (2009 - 498) horses out on loan, 158 (2009 - 144) horses and ponies were admitted to guardianship in our three equine centres, many of them undergoing rehabilitation prior to rehoming.

Clinical

Our four animal hospitals carried out 97,887 (2009 - 101,224) consultations, diagnostic procedures and operations including 2,545 (2009 - 2,792) consultations at our mobile clinics in London.

The Blue Cross Neuter Grants Scheme gave £15,039 to 256 pet owners in need of financial help towards the cost of neutering for 278 animals.

Our adoption centre-based welfare clinics saw 1,977 animals for consultations (2009 – 1,392).

Behaviour

Our animal behaviour team conducted consultations and assessments face to face and by telephone or email advice for 2,400 cases (2009 – 2,241).

Subsidiary Companies

The Blue Cross Trading Company Limited donated its profit of £34k (2009 - £46k) by way of gift to the Charity. In addition donations received by the Trading Company from supporters and passed directly to the Charity amounted to £478k (2009 - £540k).

The Blue Cross (D&B) Limited oversees the management and cost effectiveness of major building projects on behalf of the Charity. There were no building projects in 2010.

Connected Charities

The Irish Blue Cross

We continued to provide grant funding to The Irish Blue Cross (based in Eire), further details are in note 17.

The Society for Companion Animal Studies (SCAS)

The Blue Cross, with SCAS continued to promote the benefits of the human-animal bond and through direct funding by the Blue Cross the jointly-run Pet Bereavement Support Service provided support and information to bereaved pet owners through responding to 6,560 phone calls (2009 – 5,830) and 554 emails (2009 - 604).

Assisi Animal Charities Foundation

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

The Blue Cross

Report of the trustees

For the year ended 31 December 2010

Welfare Associates

The Blue Cross has supported a number of smaller charities by giving them grants to assist in the execution of their work. Further details are shown in note 17.

Following the strategic review of The Blue Cross, these grants ceased at the end of 2010 with the exception of Mountains Animal Sanctuary, The Mayflower Sanctuary and Pet Fostering Service Scotland (PFSS) as they are considered to have a greater strategic fit with The Blue Cross.

Other Charities

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

Financial review

Principal sources of income

Our income has increased during the year to £26,878 million (2009: £25,524 million) and the principal sources are as follows:

	£'000
Donations and gifts	7,095
Legacies received	15,074
Investment income	554
Income from Blue Cross shops	1,325
Other activities for generating funds	691
Income from Charitable Activities	2,139
Total income	<u>26,878</u>

Investment policy and performance

The value of the Charity's investments have grown by £2.127 million (2009 - £3.447 million). The Board of Trustees is satisfied with this performance.

The investment portfolio is managed externally by the charity's investment managers on a discretionary basis, subject to appropriate policies and limits established by the trustees within the Investment and Treasury Management policy.

The Investment sub-committee meet with the Investment Managers on a quarterly basis to review investments and ensure that they are in accordance with the Investment and Treasury Management policy. All investments must be held in accordance with the Blue Cross Ethical Investment policy. Investments are allocated into four investment categories, namely: Long term, Restricted and Endowment Funds, Medium Term Reserves and Cash.

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.

The Blue Cross

Report of the trustees

For the year ended 31 December 2010

Reserves policy

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

The Board's policy is to maintain liquid reserves sufficient 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:

- 6 months future budgeted expenditure which has been determined as being a sufficient timeframe to manage material cost reductions or fund emergency appeals whilst 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 has reviewed this measure and decided that the desired target ratio is 1.00. The Executive team will provide justification for any material variation from this target and, where appropriate, take corrective action.

Against this measure, at 31 December 2010 the organisation is operating at a ratio of 2.22 and therefore exceeds the target reserves policy. The ratio is temporarily higher than the target in order to fund our ambitious capital plans in the next two years.

Plans for the future

There are ambitious plans for the future in order to meet the growing and changing needs in companion animal welfare. We are looking to expand our geographic footprint by delivering services in areas of the country where we do not have a presence. We are seeking to become more accessible to the pet owning public and are looking to grow awareness of The Blue Cross and our vital work.

The Blue Cross

Report of the trustees

For the year ended 31 December 2010

Statement of responsibilities of the trustees

The trustees are required to prepare 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 the charity 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity 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 the charity 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 his/her 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.

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 December 2010 was 8 (2009 - 8). The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity.

Auditors

The Gallagher Partnership LLP were re-appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

Approved by the trustees on 31 March 2011 and signed on their behalf by

Kim Hamilton MSc - Secretary

Independent auditors' report

To the members of The Blue Cross (Incorporating our Dumb Friends' League)

We have audited the group and parent company financial statements of The Blue Cross for the year ended 31 December 2010 set out pages 13 to 29 These financial statements have been prepared in accordance with the accounting policies set out therein.

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 with section 44(1)(c) of 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 those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of The Blue Cross for the purpose of company law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under the Companies Act 2006 and under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with those Acts. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if in our opinion the information given in the Trustees' Annual Report is not consistent with the financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charity's financial statements are not in agreement with those records, if we have not received all the information and explanations we require for our audit or if certain disclosures of trustees' remuneration specified by law are not made.

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

Basis of opinion

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

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

Independent auditors' report

**To the members of
The Blue Cross
(Incorporating our Dumb Friends' League)**

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

Samuel Clarke
Senior Statutory Auditor
For and on behalf of
The Gallagher Partnership LLP

Statutory Auditor
London

The Blue Cross

Consolidated Statement of Financial Activities *(incorporating an Income & Expenditure Account)*

For the year ended 31 December 2010

	Unrestricted Funds	Restricted Funds	2010 Total	2009 Total
Note	£'000	£'000	£'000	£'000
Incoming resources				
<i>Incoming resources from generated funds</i>				
Voluntary Income				
Donations and gifts	6,695	400	7,095	7,113
Legacies received	10,675	4,399	15,074	13,944
Activities for generating funds				
Raffle and sponsorship	507	-	507	639
Income from Blue Cross shops	1,325	-	1,325	840
Income from trading subsidiaries	4	-	184	189
Investment income	3	-	554	737
Incoming resources from charitable activities				
Clinical	1,075	39	1,114	1,064
Rehoming	906	4	910	855
Rehabilitation	108	7	115	143
Total incoming resources	22,029	4,849	26,878	25,524
Resources Expended				
<i>Cost of generating funds</i>				
Costs of generating voluntary income	7,431	-	7,431	6,660
Investment management cost	50	-	50	49
<i>Charitable activities</i>				
Clinical	5,950	2,261	8,211	8,396
Rehoming	5,111	1,677	6,788	7,692
Rehabilitation	1,615	432	2,047	2,014
Advice and support	572	-	572	789
Governance Costs	50	-	50	75
Total resources expended	20,779	4,370	25,149	25,675
Net incoming/(outgoing) resources before other recognised gains and losses				
	1,250	479	1,729	(151)
Realised gains/(losses) on investment assets	11	129	129	(8)
Net income/(deficit) for the year	1,379	479	1,858	(159)
Unrealised gains on investment assets	11	2,266	2,286	2,920
Net movement in funds	3,645	499	4,144	2,761
Reconciliation of funds				
Funds brought forward at 1 January 2010	46,194	6,447	52,641	49,880
Funds carried forward at 31 December 2010	49,839	6,946	56,785	52,641

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 16 to the financial statements.

The Blue Cross

Balance sheet

As at 31 December 2010

		The Group		The Charity	
	Note	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Fixed assets					
Tangible assets	10	18,162	18,771	18,162	18,771
Investments	11	20,816	18,689	20,816	18,689
		38,978	37,460	38,978	37,460
Current assets					
Stocks	12	64	42	64	42
Debtors	13	1,604	2,449	1,712	2,661
Short-term deposits		10,500	11,000	10,500	11,000
Cash at bank and in hand		7,956	3,370	7,782	3,141
		20,124	16,861	20,058	16,844
Liabilities					
Creditors: Amounts falling due within one year	14	(2,317)	(1,680)	(2,251)	(1,663)
Net current assets		17,807	15,181	17,807	15,181
Net assets	15	56,785	52,641	56,785	52,641
Restricted funds	16	6,946	6,447	6,946	6,447
Unrestricted Charity funds	16	49,839	46,194	49,839	46,194
Total funds		56,785	52,641	56,785	52,641

Approved by the trustees on 31 March 2011 and signed on their behalf by

Zair Berry FCA
Chairman
Board of Trustees

Mervyn Reed FCA
Chairman
Finance and Support Committee

The Blue Cross

Consolidated cashflow statement

As at 31 December 2010

	2010 £'000	2009 £'000	
Net cash inflow/(outflow) from operating activities	3,533	(1,601)	
Investment income	554	737	
Capital expenditure	(289)	(1,556)	
Net movement in investment funds	<u>288</u>	<u>(535)</u>	
Increase/(Decrease) in cash	<u><u>4,086</u></u>	<u><u>(2,955)</u></u>	
Reconciliation of Operating surplus to Net cash inflow from operating activities			
Net incoming/(outgoing) resources for the year	1,729	(151)	
Depreciation	898	834	
(Increase)/Decrease in stocks	(22)	17	
Decrease/(Increase) in debtors	845	(764)	
Increase/(Decrease) in creditors	637	(800)	
Investment income	<u>(554)</u>	<u>(737)</u>	
Net cash inflow/(outflow) from operating activities	<u><u>3,533</u></u>	<u><u>(1,601)</u></u>	
Analysis of cashflows for headings netted in the Cashflow Statement			
Investment income			
Investment income received & receivable	462	482	
Interest received & receivable	<u>92</u>	<u>255</u>	
	<u><u>554</u></u>	<u><u>737</u></u>	
Capital expenditure			
Purchase of tangible fixed assets	<u>(289)</u>	<u>(1,556)</u>	
	<u><u>(289)</u></u>	<u><u>(1,556)</u></u>	
Investment Funds			
Purchase of investments	(3,797)	(5,562)	
Sale of investments	<u>4,085</u>	<u>5,027</u>	
Net movement on investment funds	<u><u>288</u></u>	<u><u>(535)</u></u>	
Analysis of changes in net funds			
	At 1 Jan 2010 £'000	Changes £'000	At 31 Dec £'000
Net cash:			
Cash held by investment managers	22	2,372	2,394
Short term deposits	11,000	(500)	10,500
Cash in hand	<u>3,348</u>	<u>2,214</u>	<u>5,562</u>
	<u><u>14,370</u></u>	<u><u>4,086</u></u>	<u><u>18,456</u></u>

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

1. Accounting policies

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

a) Basis of Accounting

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

The financial statements consolidate the results of the charity and its wholly-owned subsidiaries Blue Cross (D&B) Limited and Blue Cross Trading 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 The Blue Cross Trading Company and The Blue Cross (D&B) Company's activity are disclosed in notes 4 and 5 respectively.

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 by paragraph 397 of SORP 2005.

The 2009 comparatives have been reanalysed in order to better reflect the structure of the organisation and compliance with the SORP.

b) Income

Charitable income is recognised on a cash received basis other than where an accruals basis provides a more accurate basis or will give a fairer representation of the underlying nature of the transaction. Income is recognised so far as there is entitlement to the income, there is certainty of its receipt and the amount is quantifiable.

Turnover in the Trading Company is represented substantially by the commission receivable, excluding VAT, on goods sold during the year.

c) Legacies

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

d) Tangible Fixed Assets

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

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

1. Accounting policies (continued)

d) Tangible Fixed Assets (continued)

The cost associated with the establishment of Blue Cross shops is now capitalised provided the total cost incurred for each shop exceeds £5,000. The change has been made to reflect the increase in significance of income from shops and more fairly represent the costs of establishing and running the shops by spreading these costs over the life of the lease to the first break clause. This represents a change in accounting policy as previously these costs were charged directly to the statement of financial activities. A prior year adjustment has not been made to reflect this change as the trustees are of the opinion that the existing costs less depreciation are not material. If a prior year adjustment had been made, the net effect on opening reserves at 1 January 2010 would have been £106,000.

e) Depreciation

The Board has set depreciation rates that are prudent and realistic and use the following rates, all on a straight line basis, to reduce by annual instalments the cost of the tangible assets over their estimated useful lives. The land element of buildings is not depreciated.

Freehold buildings - hospitals and administration	50 years
Freehold buildings - adoption and equine centres	25 years
Leasehold improvements	5 years
Equipment	4 years
Motor vehicles	3 years

f) Listed Investments

Investments held as fixed assets are revalued at mid-market value at the balance sheet date. The gain or loss for the period is taken to the Statement of Financial Activities.

g) Stocks

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

h) 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.

i) Expenditure

Costs of generating funds relate to the costs incurred by the charitable company in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose.

Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT which cannot be recovered.

Resources expended are allocated to the particular activity where the cost relates directly to that activity.

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

1. Accounting policies (continued)

i) Expenditure (continued)

The support cost of management and administration of the charity, 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:

	2010	2009
	%	%
Cost of generating funds	9.01	9.13
Service Delivery:		
Clinical	36.92	36.97
Rehoming	40.88	41.20
Rehabilitation	10.99	10.91
Advice and support	1.98	1.78
Governance Costs	<u>0.22</u>	<u>-</u>
	100.00	100.00

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

j) 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.

k) Funds

Restricted income funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria, together with a fair allocation of overheads and support costs, are charged to these funds.

Restricted capital funds are to be used to for specific capital projects as laid down by the donor or as expressed in appeal literature. Expenditure, including associated depreciation costs, is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

2. Net incoming/(outgoing) resources for the year

	2010	2009
	£'000	£'000
The net incoming/(outgoing) resources for the year is stated after charging:		
Depreciation	898	834
External auditor's remuneration: Audit	22	20

3. Income from investments

	2010	2009
	£'000	£'000
Investment income received & receivable	462	482
Interest received & receivable	92	255
	554	737

4. The Blue Cross Trading Company Limited

The Charity has a wholly owned trading subsidiary incorporated in the UK, whose activities form part of an integrated approach to supporters. The Blue Cross Trading Company Ltd primarily generates its income through commission on the sales of gifts and Christmas cards by mail order. Turnover also includes sales at the Charity's adoption centres. Net taxable profits are transferred to The Blue Cross by way of Gift. A summary of the trading results is shown in note 6.

5. The Blue Cross (D&B) Company Limited

The Charity has set up a wholly owned subsidiary incorporated in the UK, whose main activity is to undertake the design and building of the Charity's hospitals and adoption centres in the most cost effective manner for the benefit of the Charity. Its turnover is derived from invoicing the Charity at cost for each major capital project as the costs are incurred. Any net profits would be transferred to The Blue Cross by way of Gift. A summary of the trading results is shown in note 6.

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

6. Subsidiary Companies Results

A summary of the trading results for the Blue Cross Trading Company Limited and The Blue Cross (D&B) Company are shown below:

Profit and Loss Account	The Blue Cross Trading Company Limited		The Blue Cross (D&B) Company Limited	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Turnover	184	189	-	2,325
Cost of Sales	(118)	(112)	-	(2,325)
Operating profit/(loss)	66	77	-	-
Administrative Expenses	(32)	(31)	-	-
Interest receivable	98	108	-	1
Interest payable	(130)	(139)	-	(1)
Profit/(loss) on ordinary activities	34	46	-	-
Tax on profit on ordinary activities	-	-	-	-
Profit/(loss) on ordinary activities after taxation	34	46	-	-
Retained profit brought forward	-	-	-	-
Gifted to The Blue Cross	(34)	(46)	-	-
Retained Profit carried forward	-	-	-	-

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

7. Total resources expended

	Generating voluntary income £'000	Clinical £'000	Rehoming £'000	Rehabilitation £'000	Advice and support £'000	Governance £'000	Support costs £'000	Group 2010 Total £'000	Group 2009 Total £'000
Staff costs (note 8)	1,553	4,899	3,084	913	218	-	2,085	12,752	12,219
Other staff costs	76	127	77	35	4	-	170	489	431
Service delivery	-	1,088	1,082	271	3	-	-	2,444	2,901
PR and marketing	1,602	4	40	24	223	-	1	1,894	2,317
Trading costs	149	-	-	-	-	-	-	149	112
Appeal costs	2,229	-	-	-	-	-	-	2,229	2,131
Transportation costs	84	50	144	72	9	-	128	487	413
Administration	368	107	148	46	36	-	33	738	767
Grants	-	-	-	-	-	-	22	22	20
Property	602	324	467	191	-	-	174	1,758	2,447
Equipment and IT	276	129	101	52	(2)	-	240	796	765
Legal and professional	121	(4)	-	1	1	41	333	493	318
Depreciation	58	-	-	-	-	-	840	898	834
Total	7,118	6,724	5,143	1,605	492	41	4,026	25,149	25,675
Support costs reallocation	363	1,487	1,645	442	80	9	(4,026)	-	
Total	7,481	8,211	6,788	2,047	572	50	-	25,149	25,675

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

8 Staff costs

	2010	2009
	Group	Group
	£'000	£'000
Wages and salaries	10,679	10,486
Social security costs	1,015	1,004
Pension contributions	439	430
	12,133	11,920
Other staff costs	619	299
	12,752	12,219

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

	2010	2009
	Group	Group
	Number	Number
Generating voluntary income	41	41
Clinical	168	166
Rehoming	186	185
Rehabilitation	50	49
Advice and support	9	8
Governance	1	0
	455	449

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

	2010	2009
	Group	Group
	Number	Number
£60,001 - £70,000	2	3
£70,001 - £80,000	2	2
£80,001 - £90,000	0	0
£90,001 - £100,000	2	2

Contributions made in the year for the provision of money purchase pension schemes totalled £34,910 for these 6 employees (2009 - £33,308 for 7 employees).

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

Total expenses incurred during the year for 14 Trustees was £12,334 (2009 - 14 Trustees £14,588).

Trustee Indemnity Insurance was provided in the year at a total cost of £2,703 to the Charity (2009 - £3,150).

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

9 Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

10 Tangible fixed assets

Group and charity	Freehold Land & Buildings £'000	Leasehold improvement £'000	Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2010	25,800	0	461	193	26,454
Additions	0	289	0	0	289
Disposals	0	0	0	(99)	(99)
At 31 December 2010	25,800	289	461	94	26,644
Depreciation					
At 1 January 2010	7,132	0	394	157	7,683
Charge for the year	791	58	28	21	898
Disposals	0	0	0	(99)	(99)
At 31 December 2010	7,923	58	422	79	8,482
Net Book Value					
At 31 December 2010	17,877	231	39	15	18,162
Net Book Value					
At 31 December 2009	18,668	0	67	36	18,771

Leasehold improvements are the costs relating to the establishment of Blue Cross shops, which have been capitalised with effect from 1 January 2010. This is a change in accounting policy as disclosed in note 1 d).

11 Fixed asset investments

			Group and Charity 2010 £'000	Group and Charity 2009 £'000
Market value at 1 January 2010			18,689	15,242
Disposals at brought forward market value			(3,956)	(5,035)
Acquisitions at cost			3,797	5,562
Unrealised gains on revaluation			2,286	2,920
Market value at 31 December 2010			20,816	18,689
The above investments consist of:				
	UK	Non-UK	2010 £'000	2009 £'000
Fixed Interest securities	3,131	0	3,131	3,060
Other listed shares and securities	13,777	3,908	17,685	15,629
Investments in subsidiary undertakings	0	0	0	0
	16,908	3,908	20,816	18,689
Historical cost as at 31 December 2010			18,471	18,438

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

12 Stocks

	Group 2010 £'000	Group 2009 £'000	Charity 2010 £'000	Charity 2009 £'000
Veterinary drugs for charitable purposes	<u>64</u>	<u>42</u>	<u>64</u>	<u>42</u>

13 Debtors

	Group 2010 £'000	Group 2009 £'000	Charity 2010 £'000	Charity 2009 £'000
Income Tax Recoverable	200	1,444	200	1,444
Trade debtors	44	28	0	0
Amounts owed by group undertakings	0	0	52	138
Other debtors	662	476	662	478
Prepayments and accrued income	538	321	538	321
Loan to The Blue Cross (D&B) Co Ltd	0	0	100	100
Loan to the Irish Blue Cross	160	180	160	180
	<u>1,604</u>	<u>2,449</u>	<u>1,712</u>	<u>2,661</u>

At the balance sheet date a loan of £100k (2009 - £100k) was outstanding to The Blue Cross (D&B) Company Limited. Interest is payable on the amount outstanding as earned by the subsidiary. Repayment is due by 2012.

At the balance sheet date a loan of £160k (2009 - £180k) was outstanding to The Irish Blue Cross, a registered charity in the Republic of Ireland. The loan is interest free and repayment is due by 2019. The grant given to the Irish Blue Cross shown in note 16 is used to offset loan repayments.

14 Creditors: amounts falling due within one year

	Group 2010 £'000	Group 2009 £'000	Charity 2010 £'000	Charity 2009 £'000
Trade creditors	1,024	902	978	887
Amounts owed to group undertakings	0	0	0	0
Social security and other taxes	307	282	307	282
Other creditors	84	83	74	83
Accruals	902	413	892	411
	<u>2,317</u>	<u>1,680</u>	<u>2,251</u>	<u>1,663</u>

15 Analysis of net assets between funds

	Restricted £'000	Unrestricted £'000	Total £'000
Tangible fixed assets	0	18,162	18,162
Investments	204	20,612	20,816
Net current assets	6,742	11,065	17,807
Net assets at the end of the year	<u>6,946</u>	<u>49,839</u>	<u>56,785</u>

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

16. Movement in funds

Purposes of restricted funds

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

	At 1 January 2010 £'000	Incoming resources £'000	Outgoing resources £'000	Gains and transfers £'000	At 31 December 2010 £'000
Restricted funds:					
<i>Restricted capital funds:</i>					
Victoria Hospital	3,150	-	(162)	-	2,988
Bromsgrove Adoption Centre	197	12	(42)	-	167
Grimsby Hospital	1,360	-	(76)	-	1,284
Northiam Adoption Centre	292	-	(18)	-	274
Subsidiary Charities	191	-	(7)	20	204
Merton Hospital Vet equipment	14	-	(14)	-	-
Thirsk Adoption Centre	920	178	(88)	-	1,010
Veterinary Equipment	85	-	(3)	-	82
Mobile Clinic	69	-	(3)	-	66
Other purposes	16	-	(16)	-	-
Burford Cattery	-	5	(5)	-	-
Burford Equine	-	6	(4)	-	2
Southampton Centre	-	250	(39)	-	211
Felixstowe Centre	-	28	-	-	28
Or There's Ghillie	-	500	-	-	500
Sandbach Endowment	28	-	(1)	-	27
<i>Total restricted capital funds</i>	<u>6,322</u>	<u>979</u>	<u>(478)</u>	<u>20</u>	<u>6,843</u>

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

16. Movement in funds (continued)

	At 1 January 2010 £'000	Incoming resources £'000	Outgoing resources £'000	Gains and transfers £'000	At 31 December 2010 £'000
<i>Restricted income funds:</i>					
Community Nurse & Mobile clinic running costs	35	11	(11)	(35)	-
Burford Adoption Centre	37	545	(500)	-	82
Thirsk Adoption Centre running costs	52	88	(140)	-	-
Sandbag and Hesco Rescue Fund	1	1	(2)	-	-
Torbay Adoption Centre	-	190	(169)	-	21
Victoria Hospital	-	1,725	(1,725)	-	-
Other Adoption Centres	-	634	(634)	-	-
Other Equine Centres	-	392	(427)	35	-
Other Hospitals	-	267	(267)	-	-
General	-	17	(17)	-	-
<i>Total restricted income funds</i>	125	3,870	(3,892)	-	103
<i>Total restricted capital funds b/fwd</i>	6,322	979	(478)	20	6,843
Total restricted funds	6,447	4,849	(4,370)	20	6,946
Unrestricted charity funds:	46,194	22,029	(20,779)	2,395	49,839
Total funds	52,641	26,878	(25,149)	2,415	56,785

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

17. Related parties, subsidiary charities and welfare associates

Related parties

The Irish Blue Cross	2010	2009
	£'000	£'000
Grant in the year	<u>20</u>	<u>20</u>

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

The following trustees of the Irish Blue Cross are also trustees or employees of The Blue Cross:

Kim Hamilton
Zair Berry
Andrew Edney
Mervyn Reed (resigned from Irish Blue Cross on 15/12/2010)

The Society for Companion Animal Studies (SCAS)	2010	2009
	£'000	£'000
Grant in the year	<u>85</u>	<u>85</u>

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

The following trustees of SCAS are also trustees or employees of the The Blue Cross during the year:

Kim Hamilton
Andrew Edney
Diane Sinclair
Walter Beswick (deceased 01/02/2011)
Steve Goody
Neil Smith (resigned 31/01/2011)

Jo-Ann Fowler is the Executive Director of SCAS and is also an employee of the Blue Cross.

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

17. Related parties, subsidiary charities and Welfare Associates (continued)

Subsidiary Charities

The following charities are classified as subsidiary charities on the Charity Commission's Register and are included in the accounts. 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
Annie Gordon Fund
London Institute Mrs Morgan's Fund
Bertie Copinger Prichard Fund (Captive and Performing Animals Fund)
Mary Margaret Baroness Seaforth of Brahan (Sister Mabel's Free Dispensary for Sick Animals)

Edith Alice Bromley-Bourne Fund
Rosie May Hare Winton Fund
Amy Alice Baldwin Fund
Louisa Snow Fund
Lucy Anne Fraser Oldfield Fund
M I S Hounsell Fund

Welfare Associates

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

<u>Charity name</u>	<u>Amount of grant</u>
Assisi Animal Sanctuary	£20,000
Berwick Animal Rescue Kennels	£10,000
Dumfries & Galloway Canine Rescue Centre	£20,000
Les Amis Des Chats	€ 10,000
The Mayflower Sanctuary	£20,000
Mountains Animal Sanctuary	£26,000
Phoenix Association	€ 20,000
Society for the Welfare of Horses and Ponies	£20,000
SPCA Gozo	€ 10,000
Pet Fostering Service Scotland (PFSS)	£22,000

Following the strategic review of The Blue Cross, these grants ceased at the end of 2010 with the exception of Mountains Animal Sanctuary, The Mayflower Sanctuary and PFSS as they are considered to have a greater strategic fit with The Blue Cross.

Connected charity

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

The Blue Cross

Notes to the financial statements

For the year ended 31 December 2010

18. Legacies

At the year-end the Charity was aware that it was a beneficiary of an estimated 542 (2009 - 608) estates where either, it was not certain that the legacy would be received, or the value could not be reliably measured. The current estimate of the total amount concerned is £17.1m (2009 - £17.2m).

19. Company status

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

20. Commitments

There were no contracted commitments at the year end.

	2010 £'000	2009 £'000
Expenditure planned over next 5 years but not contracted for:		
Clinical	11,300	6,967
Rehoming	13,150	5,490
Total Planned Expenditure	<u>24,450</u>	<u>12,457</u>

21. Contingent liabilities

The Blue Cross, on occasion, is required to give indemnities to the Executors of estates where The Blue Cross is a beneficiary. The Charity does not expect these indemnities to crystallise before expiry and aims to ensure that such indemnities are limited to the value of The Blue Cross share of the legacy, have the earliest possible expiry date, and are not given on a joint and several basis. The total value of indemnities given, but not provided in the accounts, outstanding at 31 December 2010 is £155k (2009 - £147k).

22. Other financial commitments

At 31 December 2010 the Charity was committed to making the following payments under operating leases in the year to 31 December 2011:

	2010 £'000	2009 £'000
Operating leases which expire:		
Within 1 year	103	61
Within 2 to 5 years	258	265
More than 5 years	252	186
	<u>613</u>	<u>512</u>