



Pets change lives  
We change theirs

Blue Cross annual report 2017

# Contents

03	Welcome from our Chairman and Chief Executive	31	Consolidated balance sheet
04	Trustees' report (incorporating the strategic report)	32	Consolidated statement of cash flows
18	Governance, policies and standards	33	Notes to the financial statements
26	Independent auditors' report	46	Reference and administrative details
30	Consolidated statement of financial activities	48	Find us

## 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 & Chief Executive



One hundred and twenty years ago, our charity was established to care for working horses on the streets of Britain's capital city. Fast forward to 2017 and we're proud to say we're still making a tremendous impact helping pets and people in need.

In a fast changing world, we've been working hard to ensure pet welfare remains on the agendas of both the UK government and the devolved administrations, holding many beneficial talks with politicians and civil servants resulting from our major research into the licensing of the breeding and sale of pets. Following this research, we were extremely encouraged to hear the Prime Minister pledge her commitment to reform dog breeding legislation and we will respond to future proposals to ensure the welfare of all species in the pet trade is protected by law.

We are delighted to report a 10.4 per cent increase in income and an overall surplus for the year, due principally to the unexpectedly generous legacies from our supporters, for which we are extremely grateful, unrealised investment gains and two property sales. Nonetheless, we recognise the financial climate remains a challenge across the charitable sector, and are ever mindful of the need for us to be more efficient so we can help more pets.

Our education and pet bereavement activities both showed good growth but the overall veterinary and rehoming figures for pets helped fell below our target for 2017. Whilst this was disappointing, there were valid reasons. In part this was due to a deliberate decision to pause to align our working practices as well as carry out major refurbishments, and in part to people turning to online sourcing to rehome pets. Further elaboration can be found on page 11. Following this year of consolidation and investment in new services and

facilities, we expect the number of pets helped will rise in 2018.

To meet the challenges of the changing world we are striving to innovate ways of helping more pets and their owners without unnecessary spend. The opening of our new Cwmbran pet care clinic is one such example of meeting need in a new area without capital expenditure costs. Details of further innovations can be found on page 12.

We welcomed Nico Lutkins, who brings significant strategic and marketing expertise, to the Board. We were very sorry to lose Anthony Forster and David Rossdale who have had to stand down owing to their significantly increased commitments outside Blue Cross.

We would like to pay tribute to our committed teams, who continue to prioritise the highest level of compassion and welfare for the pets in our care, and go above and beyond when called upon to help after unforeseen disasters, including the Grenfell Tower tragedy. And we continue to be grateful to the thousands of volunteers who give their time and dedication to helping pets. When we look at the number of pets and people helped on the pages of this report, we are truly thankful to have such a devoted team, without which this could not have been achieved.

**Our thanks to all who have made 2017 a proud year for our charity.**

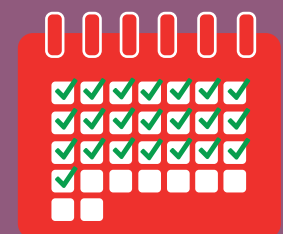
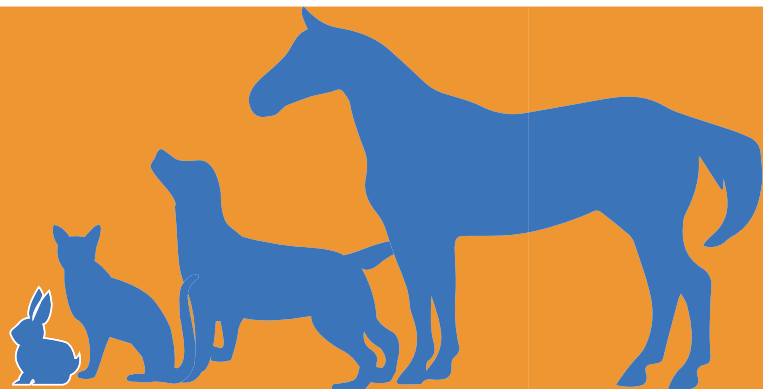
Tim Porter FCA  
Chairman

Sally de la Bedoyere  
Chief Executive

# Our highlights of the year

# 436

pets' lives saved in 2017 through our grants and Emergency Care Fund, launched with 35 partner veterinary practices around the country



# 22

average length of stay for dogs at our Burford rehoming centre following refurbishment, down from 35 days

# 120

cats per year that will be helped through our newly opened catteries at Rolleston rehoming centre and Moreton Morrell college



# 28,059

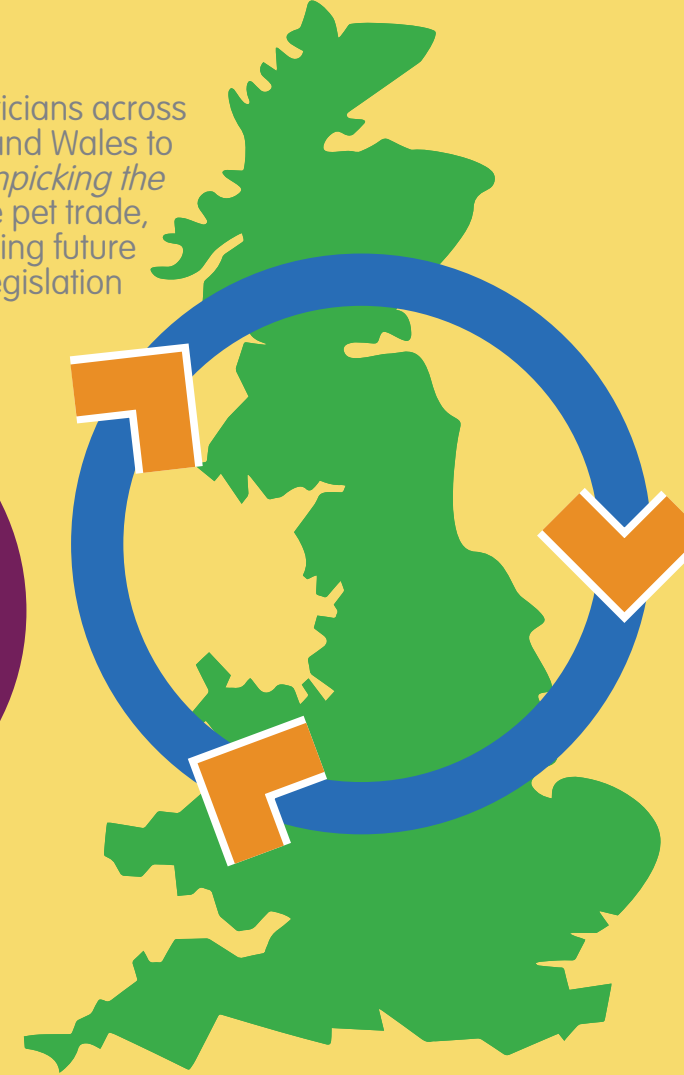
pets helped by our Veterinary Services

160 meetings with politicians across England, Scotland and Wales to discuss our 2016 *Unpicking the Knots* report into the pet trade, informing and influencing future pet welfare legislation



# 4,470

volunteers providing an amazing 459,000 hours of their time to support pets in need



# 95,622

young people reached through 2,553 educational talks



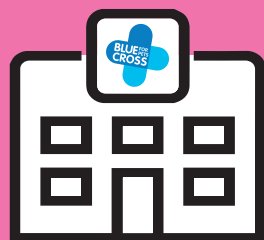
# 2,109

fewer dogs microchipped in 2017 following the introduction of welcome new legislation in 2016



# 460

pets per year will be helped through our newly opened Cwmbran pet care clinic



£20.5million donated through generous legacies, up 11% on 2016, enabling us to invest to help more pets

# 3,732

behaviour consultations to help pets



# 8,950

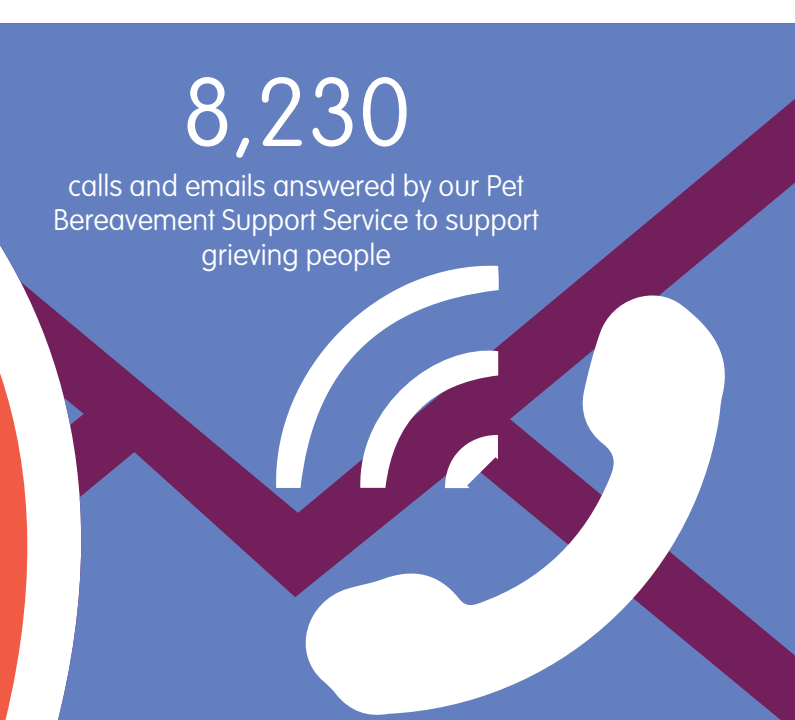
pets helped by our Rehoming Services



70p in the pound spent on charitable activities

# 8,230

calls and emails answered by our Pet Bereavement Support Service to support grieving people



## 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.**



## COMPANION

After everything she had been through, nobody could have blamed **Flora** if she had struggled to trust people again. The eight-year-old terrier was found wandering the streets with hair so heavily matted she struggled to walk, a lump the size of a melon on her side and a chain of masses on her belly.

After three months of operations and TLC, we found Flora a loving home with Mike Elliston, who had recently lost his wife and dog in quick succession. Mike says: "She's brought me companionship and some joy back into my life. I'm so grateful Blue Cross gave her a second chance."



## Public benefit

Our charitable activities aim to help pets in need, their owners, and to encourage and promote kindness to animals by providing knowledge and understanding, and promote the positive impact that pets have in society. The Trustees have given due regard to the Charity Commission's guidance on public benefit when exercising relevant powers and duties.

### Who used and benefitted from our services?

#### Education

We promote animal welfare to current and future pet owners by giving talks and offering advice. We reached 95,622 young people through 2,553 talks in 2017.

#### Behaviour

We help pets who arrive at Blue Cross with behavioural problems and offer ongoing support to anyone who rehomes a pet from us. Our Behaviour Team undertook 3,732 consultations during the year.

#### Pet bereavement

Our Pet Bereavement Support Service provides free, confidential emotional support to people who are struggling to cope with the loss of a pet 365 days a year. Our dedicated team answered 6,554 calls and 1,676 emails from grieving people in 2017.

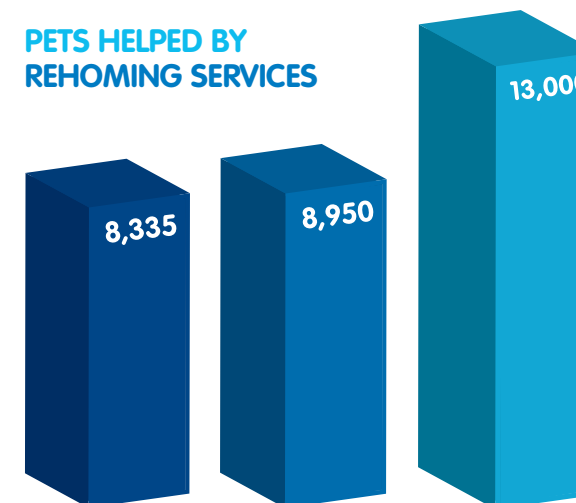
#### Rehoming

We find loving families for homeless cats, dogs, small pets and horses across the UK and our tailor-made service lets us help each pet find the right home. In 2017, our Rehoming Services helped 8,950 pets.

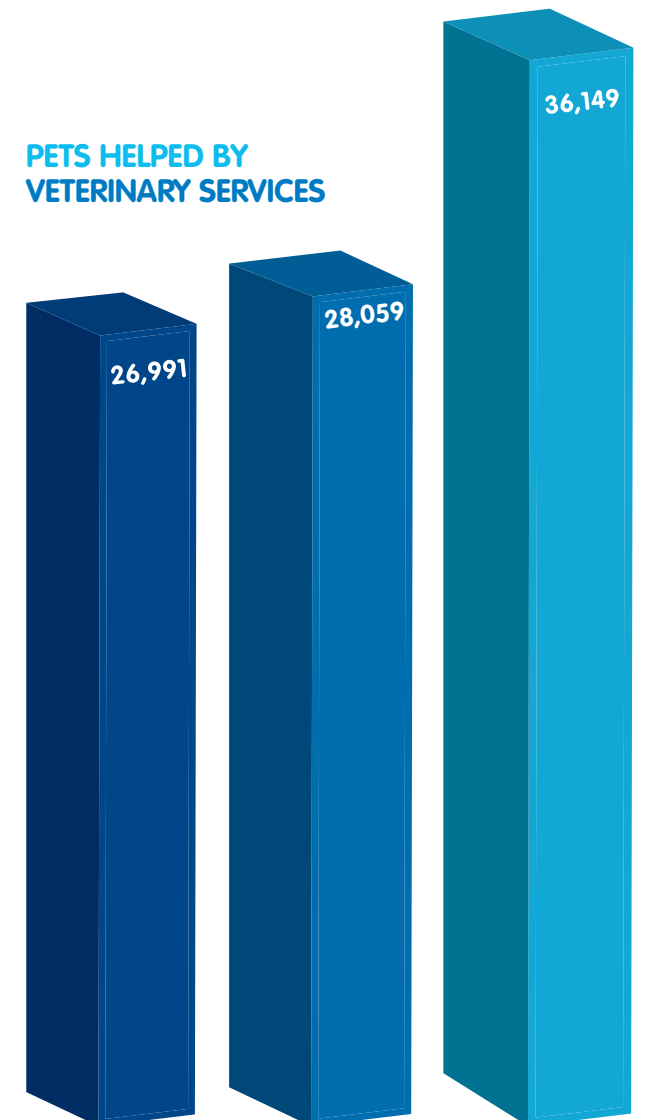
#### Veterinary

Our four animal hospitals and network of clinics treat sick and injured pets when their owners cannot afford private fees. Our Veterinary Services helped 28,059 pets in 2017.

### PETS HELPED BY REHOMING SERVICES



### PETS HELPED BY VETERINARY SERVICES



We're on target to achieve our goal of helping more pets

2014 2017 PROJECTED FOR 2019

# How we're working to meet the need

In assessing Blue Cross's public benefit, the Trustees have identified several animal welfare needs. We set out how we are addressing the most critical needs and the impact we are making.

**THE NEED:** Poorly bred and unsuitable pets continue to flood the UK market thanks to the ease and availability of online purchasing. In 2017, 139,176 cats, 291,740 dogs and 58,062 rabbits were advertised for sale on Gumtree, Preloved and Pets4Homes websites alone. While responsible breeders do use these sites, a lack of regulation means many pet buyers are unwittingly purchasing from potentially unscrupulous breeders and illness and behavioural issues only come to light once the pet is in a home.

**OUR IMPACT:** Veterinary surgeons, nurses and support staff at our animal hospitals are on the frontline, receiving sick and underage animals. Poor breeding and lack of care means we treat many young pets for malnutrition and easily-preventable diseases. Unwanted breeding animals require intensive and costly treatment due to breeding-related illness.

When pets come to our rehoming services to find a new home, many need comprehensive behaviour adjustment plans to help them overcome issues that often could have been prevented with basic training and socialisation in early life. We're developing our services to respond innovatively to challenges imposed by internet pet sales.

Our Public Affairs Team is asking politicians to reform pet breeding and sales legislation, with recommendations based on evidence gathered through an in-depth investigation, and daily experiences from our frontline services.

**THE NEED:** Fashionable pets, including brachycephalic<sup>1</sup> and 'teacup' dog breeds are increasing in popularity; fuelling a market that prioritises profit over welfare. Animals that are bred for extreme features need treatment for complicated and costly health problems as a result.

<sup>1</sup>Characteristic broad, short skull which often leads to breathing related issues



Degus **Piper** and **Chloe**, rehomed by Burford, September 2017. A pet shop sold this pair as bonded, but they were not. We stepped in to help when their new family couldn't cope.

**OUR IMPACT:** In 2017, we treated 3,174 flat-faced dogs, compared with 2,947 in 2016. Eighteen per cent more of these breeds needed our help to find new homes in 2017 compared with 2016.

Our Education Team engages with schoolchildren about pet welfare at an early age to encourage behaviour change across a generation. Alongside this, we provide honest advice on our website and at public events, and ensure messages are communicated through media stories about the affected pets we've helped to increase public knowledge and understanding.

**THE NEED:** We've seen particularly high numbers of unwanted dogs and cats in the North of England in comparison with the South.

**OUR IMPACT:** We've acted to take pets in where they need us and transport them to our centres and network around the country where we know we can find good homes for them quickly. In 2017 we secured

a site to open a new rehoming facility in Sheffield in 2018 and are seeking a second site so we can further increase our impact.

**THE NEED:** Wages are failing to keep up with the rising cost of living and more people are relying on Blue Cross to help their sick and injured pets.

**OUR IMPACT:** We've opened a new pet care clinic in Cwmbran, South Wales; extending our reach to a new area of need. We will open a further four clinics in spring 2018, in Ashford, Luton, Torbay and York.

We've also extended our Merton and Victoria animal hospital opening hours so we are more accessible to pet owners that need our support outside of working hours.

**THE NEED:** Pets are part of the family and when separation occurs, through circumstantial change, theft, or pets coming to the end of their lives, people can find it hard to cope.

**OUR IMPACT:** Our trained team of listeners is on hand to help anyone experiencing the loss of a pet, for any reason, thanks to our free and confidential Pet Bereavement Support Service.

Our friendly and considerate rehoming teams know giving up a pet is upsetting and never judge anyone for making the responsible decision to ask us for help.

French bulldog **Dorothy**, helped by Merton, Victoria and Suffolk, October-December 2017. Cast aside when she was no longer useful as a profit-making breeding machine, and left for dead in a park with gaping cavities in her abdomen. We nursed Dorothy back to health and found her a loving new home.



Our Veterinary Team encourages owners to consider their pets' quality of life at each appointment and to make informed decisions about their health and welfare, so difficult decisions are always made with support and understanding.



## FAMILY

Cat **Toothless**, treated by Cwmbran, September 2017. When he was hit by a car, his owner would have faced euthanising Toothless due to financial worry. We saved Toothless's life and kept him and owner Caschella together.

# Our objectives and goals

Our strategy is to reach as many pets as possible in order to have the greatest impact where we are needed most. In order to achieve this, we continue to focus on:

## ACCESSIBILITY AND REACH

Making sure we have the right services and advice in the right places so we reach those who need us most. Our facilities need to operate effectively and efficiently.

## FAMOUS, RECOGNISED AND WELL REGARDED

We must strive to raise awareness of Blue Cross and how we help pets, and increase our influence with decision makers.

## ADEQUATE FUNDING

We must be adequately funded to achieve our ambitions, increasing and diversifying our income while managing our cost base.

### In 2017 we:

- extended our veterinary services to South Wales, where we previously had no presence
- opened two new catteries in England to make our rehoming services more accessible
- took the bold decision to replace our veterinary assistance grant with a similar fund that is more effective
- implemented a unifying brand purpose focussing on communicating why our charity is needed
- began developing a new impact framework to help people understand the impact we wish to make and the actions we are taking to make it happen
- grew our prompted awareness to 59 per cent following a successful integrated summer and Christmas marketing campaign
- tendered 66 per cent of veterinary contracts and refined our procurement policies to make us more cost effective
- reviewed our property portfolio to ensure our assets are used efficiently and space planning maximised
- enabled early repayment of £3m of £10m loan thanks to the generosity of our donors, the sale of two properties and good general cash management

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

## INSPIRATION

Before Katy Shaw met **Maggie** and **Rose**, she wouldn't allow anyone to touch her hair. But since learning to groom the ponies' manes, Katy – who has autism and very limited communication skills – enjoys having her hair brushed by her support worker.

For ponies so small, Maggie and Rose have had an enormous impact on many lives. The Shetlands, rehomed from Blue Cross, now work as therapy animals; comforting terminally ill patients at hospices, inspiring children and adults with learning difficulties and even helping to steer troubled youths away from crime.



### Doubling pets helped strategy: where we are in 2017

We're extremely proud that we've been there for thousands of pets and people who needed our help in 2017. However we were disappointed that we did not reach the veterinary and rehoming targets we set for 2017 and treated 1,262 (4.30 per cent) less pets and helped 2,041 (18.56 per cent) less pets through Rehoming Services than in 2016.

Our rehoming activities were affected by some important changes made as part of our strategy to double the number of pets we help in future. Firstly, major refurbishment work took place at our Burford and Lewknor rehoming centres, resulting in some of our pet accommodation having to close for periods to avoid placing our animals under stress. Secondly, the availability of online advertising websites has meant many people who would have traditionally turned to charities to help them find new homes for their pets are instead rehoming them privately. This online marketplace is unregulated, anonymous and potentially has significant illness and behaviour consequences. Reduced numbers of pets helped is not all bad news however: pet owners relied less on us for microchipping during the year due to changes in legislation, something which we campaigned strongly for. Unsurprisingly, there was a significant surge in demand for our chipping services in advance of the legislative changes in 2016 as pet owners complied with the requirements of the new legislation.

Regarding our Veterinary Services, the focus of our

limited resources in 2017 has been on expanding our services to new sites and implementing innovative new services which will benefit many in the future. In early 2017 we closed clinics at four of our rehoming centres and four new clinics will open in early 2018 in areas where our impact will be much greater. Activity in our London hospitals in the early part of 2017 was slower due to low demand but we changed our working practices and they are now back to operating at full capacity. Finally we ended our Veterinary Grant Scheme in early 2017 and gradually introduced our Emergency Care Fund, which will be expanded further in 2018. The interim period before these changes are fully implemented accounts for the fall in the number of pets helped across our Veterinary Services.

We set out on page 14 some of the actions we are taking in addressing these issues. Without implementing these necessary changes and expanding our services, we will not be able to reach our strategic goal of doubling the number of pets helped and having the greatest impact. As a result of these investments and initiatives, we are aiming to treat 33,600 (19.74 per cent increase) sick and injured pets and help 11,500 pets (28.49 per cent increase) through our Rehoming Services in 2018.

### Strategic development

2017 saw two key strategic developments for our charity; a unifying brand message to help people understand why our charity exists, and an impact framework that underpins the impact Blue Cross aims to make and the actions we will take to bring this to fruition.

# Our achievements

## Becoming more accessible and efficient

We celebrated the opening of our Cwmbran pet care clinic; our first veterinary location in Wales. Opening the clinic means we can help an additional 460 pets a year, in an area of high need and where we have not had a presence before.

We opened two new catteries, at Rolleston rehoming centre and Moreton Morrell college, enabling us to help 120 more pets a year.

Our pet bereavement support skills course trained 288 external veterinary professionals in helping clients cope with pet loss.

We spoke with 11 per cent more children and young people than in 2016 about animal welfare, dog safety, and responsible ownership.

## Improving our influence and recognition

We launched our *Online pet sales in the EU: What's the cost?* report at the European Parliament in September, at the first event Blue Cross has held in the EU.

With the European Union Pet Advertising Advisory Group (EUPAAG) we set up BelgPAAG, which is now successfully moderating the leading classified websites in Belgium. We are delighted that the European Commission has promised to endorse and support EUPAAG.

Following the launch of our *Unpicking the Knots* report into the pet trade in November 2016, we have held over 160 meetings with politicians across England, Scotland and Wales. These meetings have resulted in a parliamentary debate, parliamentary questions, a roundtable event and draft private members bill in Scotland.

## Outstanding people

Our terrific team of volunteers grew to a fantastic 4,470 people who together gave 459,136 hours of their time to help us. That's 30 per cent of all hours worked at Blue Cross. 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.

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

- Our Pet Bereavement Support Service was awarded Animal Charity Team of the Year in the Petplan and Association of Dogs and Cats Homes Animal Charity Awards

We presented the following awards:

- J A Wight Memorial Award to Paula Boyden BVetMed MRCVS, Dogs Trust Veterinary Director, for her sustained commitment to companion animal welfare
- Veterinary Nurse of the Year to Fiona Leathers, for her extensive charitable work
- British Equine Veterinary Association Welfare Award to Graham Duncanson, retired veterinary surgeon, for cycling from Norfolk to Cape Town, working with equine charities en route

## Raising our income

We would like to thank each and every one of our supporters for their generosity in 2017. We do not receive any government awards and rely on donations to fund our work. However you support us, from donating regularly, buying items from our charity shops or joining in with one of our events; thank you. We'd like to give special thanks to our corporate partners, trusts and foundations, and individuals, mentioned on page 47. For every £1 invested in raising funds, we received £5.71 (2016 £5.24) back.

### Fundraising

We enjoyed a successful year for fundraising, with each area raising increased funds in 2017 in comparison with the previous year. Income from fundraising grew by 2.3 per cent on 2016. With legacies added to this, we raised 8.1 per cent more.

### Retail and shops

Our charity shops enjoyed an excellent performance. While general like-for-like high street sales were up just one per cent, and average charity shop sales rose just two per cent, our own like-for-like sales increased by 5.5 per cent on 2016. We recorded record sales of £105,000 during the Christmas period.

### Legacies

Legacy income has been very strong, with income increasing to £20.5m. We continue to be humbled by the stories of those who leave us gifts in their Wills so that their love for animals can live on. In November we also launched a TV legacy marketing campaign to continue to build legacies for the future.

## Raising our awareness

Our integrated summer and Christmas marketing campaigns featured TV advertising running alongside radio, video on demand, mailings, and digital. This combined approach was hugely successful, with double the number of online donations made during the 2017 Christmas period in comparison with the previous year's festive season.

2017 saw the launch of our brand purpose - 'Pets change lives. We change theirs' - which has received a very positive response to date and contributed to the success of our summer and Christmas marketing campaigns.

Our messages received excellent coverage in the media, with our call for care homes to have clear pet policies particularly helping us to widen our reach.

We continue to enjoy fantastic online interaction, with our Twitter followers increasing to almost 70,000 and over 301,000 likes on Facebook. In 2017, our website saw 22.61 per cent more visitors, 30 per cent more people making a donation and 35 per cent more applying to rehome a pet.

We are pleased that levels of trust in Blue Cross have risen to 67 per cent and our semi-prompted awareness achieved our target of seven per cent at the year-end.

## People and Development

### Employees

We launched an apprenticeship programme in September and have appointed two apprentices with another two imminent. We plan to recruit 20 new apprentice roles. Plans for a high potential programme for top performing people are also underway.

Following a salary benchmarking process in 2016, we worked towards the introduction of performance related pay, which will be partially implemented in 2018 and fully in 2019. This is to ensure we reward our employees for their hard work.

### Volunteers

We launched our volunteer policy and statement of involvement; an e-learning platform; developed courses; and responded to the Volunteer Voice survey, which gives our volunteers a chance to feed back.

## HOUSE MATE

Thank goodness he squeaked. If he'd have stayed silent, we may never have known a tiny, helpless hamster was inside the pile of rubbish dumped on our hospital doorstep, and his potential fate doesn't bear thinking about. We took **Kickers** in and found him a happy home with owner Sam Murray, who says: "I was so sad when I heard that this little guy had been dumped in the street. I'm glad I've been able to give him another chance at being a wonderful pet."



# Our plans for the future

We want to have the greatest impact where we are needed most.

By focussing on our strategic pillars, we will reach our ambitious goal set in 2014 of doubling the number of pets we help. Here's how we plan to get closer to our goal in 2018:

## Accessibility and reach

- Open two rehoming and advice units in the north of England, where we know there is a great need
- Expand our national rehoming network by partnering with two more animal care colleges
- Complete refurbishment of our Lewknor rehoming centre
- Open four new pet care clinics in areas of high need
- Expand our Emergency Care Fund to 80 partner veterinary practices
- Train staff at veterinary group Vets4Pets in pet bereavement support
- Trial a new format for our educational talks aimed at the teenage age group
- Run an in-depth impact study of our pet care work with primary age children

## Famous, recognised and well regarded

- Produce an in-depth report into the online sale of pets, using data analysis to establish trends and create policy. Engage with Westminster politicians about our findings to facilitate positive change in legislation and regulation.
- Highlight our pet sales and enforcement work with politicians in areas with devolved legislation, including exhibitions at the Scottish Parliament and Welsh Assembly
- Work with animal welfare colleagues in the Czech Republic, Finland and Portugal to assist in the setting up of Pet Advertising Advisory Groups in interested countries
- Continue work on our project to ensure we are compliant with new General Data Protection Regulations

## Adequate and sustainable funding

- Raise £2m to rebuild our Hertfordshire rehoming centre
- Strong cashflow management to ensure loan repayment timetable met
- Legacy TV marketing campaign to enhance legacy income stream
- Open seven new shops to diversify retail income

## PART OF THE FAMILY

A stray kitten who had just days, perhaps only hours, to live when he was found emaciated and dehydrated in a garden is now part of a loving family thanks to joint working between our Rehoming and Veterinary Teams.

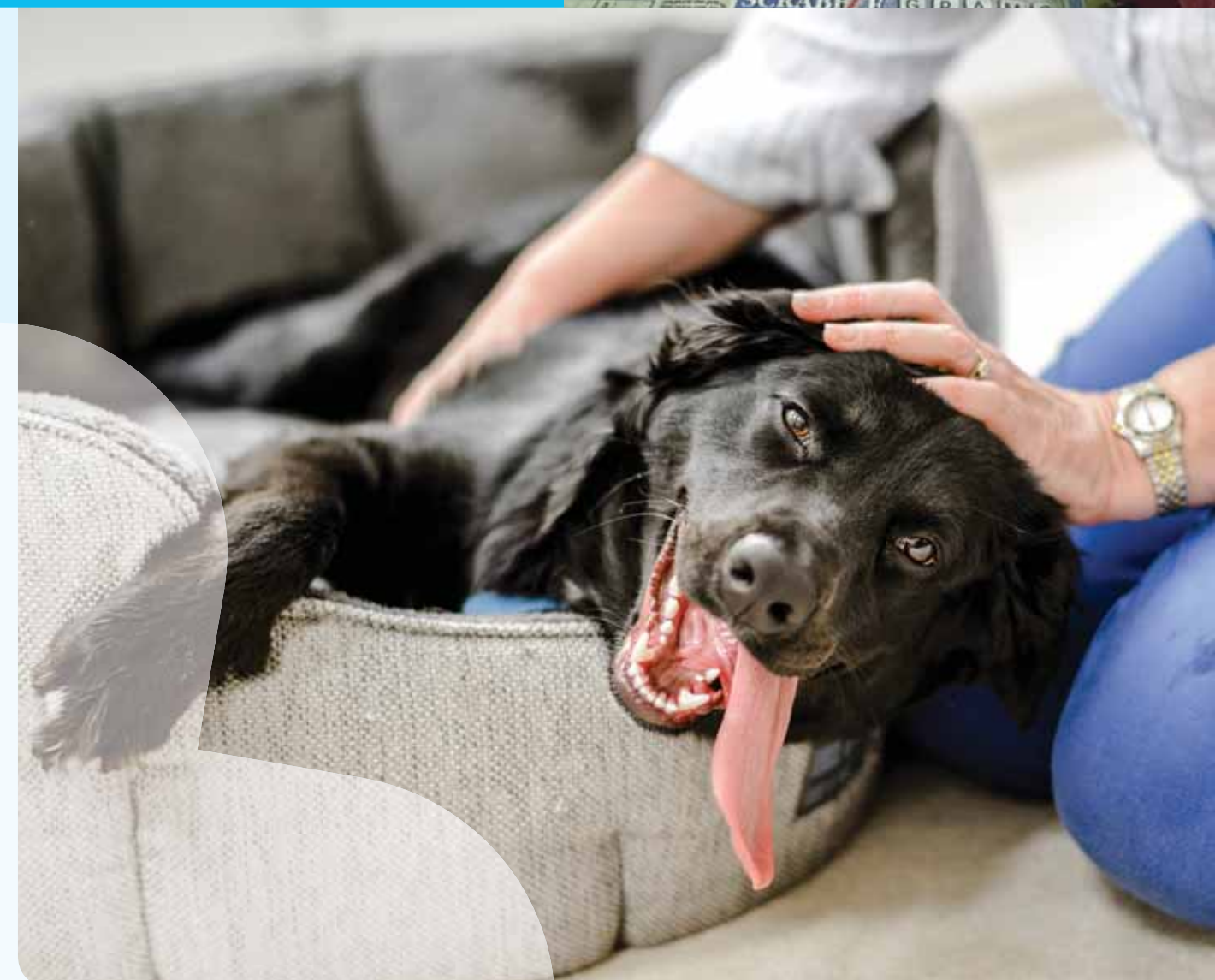
After our Victoria animal hospital saved **Thomas's** life, our Cambridge rehoming centre found him a loving home with Lauren and Graham Cone. Lauren says: "Having Thomas is made extra rewarding because of what he had been through. He has changed our lives in so many ways."



## MEASURING OUR IMPACT

Less than 24 hours after he was purchased, **Rocky** was at death's door. Struck down by often-fatal disease parvovirus, the tiny puppy needed intensive veterinary care and treatment to save him. When he was ready, we placed him in foster care so he could continue his recovery within the comforts of a home, and once healthy, we began his training and found him a loving home.

Beginning in 2018, we will measure and report our impact through the number of interventions for each pet helped. This insightful statistical information will better recognise the scale and impact of our work.





# Challenges we face

## Falling trust in charities

A 2016 Charity Commission report found that public trust in charities had fallen to 5.7 out of 10; the lowest level since monitoring began in 2005. While trust in Blue Cross is higher at 67 per cent, we are ever mindful of the need to ensure we maintain a high level of trust by being transparent and honest with our supporters.

## Helping more pets

Low levels of trust in charities, combined with the failure of wages to rise in line with the cost of living, have made fundraising a challenge across the sector. We are well aware of the need to diversify and increase our income in order to meet our strategic goal of doubling the number of pets we help and continue to look at cost-effective ways of doing so.

## Impact of changing consumer behaviour

The internet has become the go-to marketplace for consumers of all trades; the pet trade is no different. We need to respond to changing consumer behaviour and align our services to enable potential pet owners to turn to Blue Cross to find a pet. We are working to find new ways to improve animal welfare within this growing and unregulated marketplace.

## Political climate

Ongoing uncertainty around the terms of the UK's withdrawal from the EU is causing ambiguity over the potential impact on pet travel and puppy smuggling legislation. We continue to work as part of EUPAAG and respond to legislative consultations.

## Expenditure

Our salary costs remained stable at £20.0m. Operational overheads also remained unchanged despite the expansion of activities, reflecting the continuing cost control.

Costs were carefully monitored and controlled by the Executive Team throughout the year, enabling the overall costs to remain unchanged at £37.6 million.

During the year, Blue Cross spent £26.4m (2016 £26.7m) on charitable activities, which represents 70 per cent of total expenditure in the year. The total expenditure spent on charitable activities in 2016 was 71 per cent.

## Balance sheet

Our balance sheet comprises net assets of £65.6m (2016 £60.6m). Due to a strong performance our investments increased in value by £5.0m. The legacy debtor reduced by £0.3m. Cash totalled £3.0m at the year end.

## Accounting policies

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

The 2017 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

The planned capital expenditure for both Veterinary and Rehoming Services is shown in Note 20 to the accounts, which reflects our current capital plans.

## Reserves policy

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

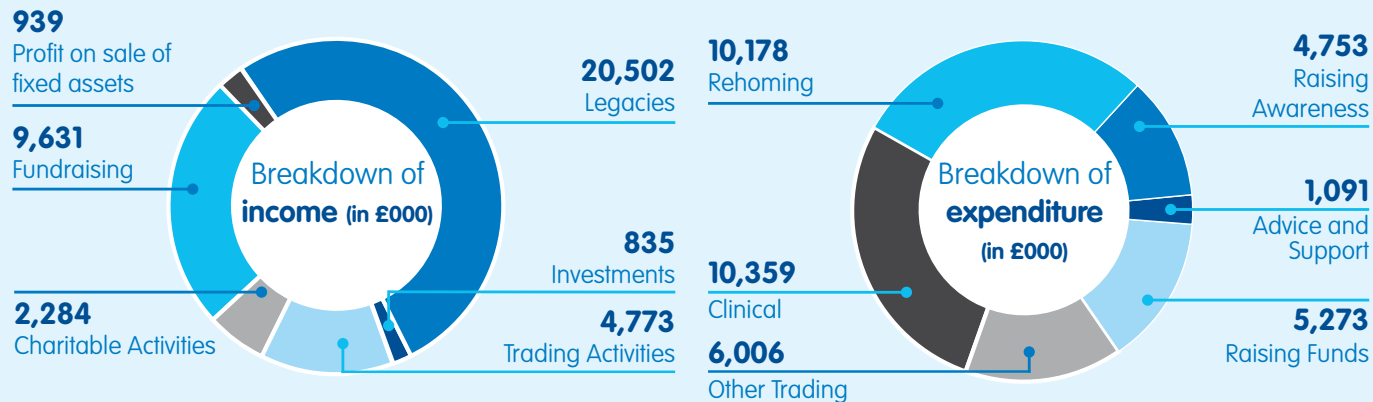
The Board's policy is to maintain sufficient liquid reserves to counter the most significant short term financial risk to the organisation, which has been identified as a sudden fall in income.

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

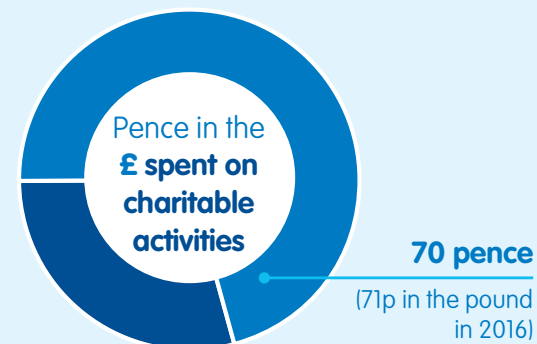
The Board reviews this measure annually and has decided that the minimum target ratio is 0.5, subject to a minimum liquid reserve of £15m. At 31 December 2017 the charity was operating at a ratio of 1.16 (2016 0.98) with a liquid reserve of £30.9m (2016 £25.4m).

# Financial review and outturn



## Financial outturn

The overall result for the year was a surplus of £5.0m after investment gains of £3.7m and gains on sale of property of £0.9m. The surplus on our normal activities for the year was £0.4m against a budgeted deficit of £3.1m. The deficit on our normal activities for 2016 was £2.4m. This improvement was achieved due to stronger than expected legacy income and the identification of additional cost savings by our hard working teams. This much improved financial performance has allowed us to repay £3m of a loan from Barclays early. The exceptional generosity of our legacy donors has also allowed us to invest and accelerate our expansion plans in 2018 for two new rehoming and advice units and four pet care clinics. In the current environment of more challenging fundraising conditions, the Board recognises the importance of achieving a balanced financial outturn on our normal activities, whilst continuing to invest in and deliver on our longer term plans.



## Income

Legacy income at £20.5m was £2.0m up on 2016 and represented a continuing strong legacy income. Fundraising income, at £9.6m, was £0.2m up on 2016 and service delivery income at £2.3m was seven per cent up on 2016. Income also included a one off profit of £0.9m on the sale of our Felixstowe site and a property in Cambridge.

## Investment policy and performance

The performance of the portfolio has been satisfactory in the general market conditions of 2017 and within the agreed risk profile. During the year the Trustees have started to review the investment policy to ensure that it aligns with Blue Cross's mission and reflects our values. This work will be completed in 2018. We are also undertaking a review of our investment managers as part of our governance processes and will be inviting selected parties to tender in 2018.

The investment portfolio is currently managed externally by the charity's investment managers, Rathbone Investment Management Ltd, 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 ethical investment policy, which is reviewed annually. Investments are allocated to 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.

# 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.

When Fiona Broomfield's spine was fractured in a riding accident, she wondered whether she would ever walk again, let alone ride. But rehoming horse **Mario** gave her the confidence to get back in the saddle. Fiona said: "He was what I needed. I love him to bits."



## 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 14 and 15, as shown on page 46.

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.

Charity Commission guidance on Trustee tenure was reviewed by the Board in 2016. Hence, tenure is, in general, limited to three terms of three years. However, if specific skills or knowledge are desirable to be retained, a Trustee's term can exceed nine years, providing the Trustee is making a valuable contribution. No more than one third of Trustees at any time can serve beyond nine years. The question of tenure and continuing contribution is carefully evaluated by the Chairman in his annual discussion with each Trustee.

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 where, for example, they will be updated on current animal welfare issues and other legislative developments.

The Trustees regularly review governance best practice and specifically considered the Charity Code of Governance issued in 2017. 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 Board will invite an external party to carry out an external review in the next 12-18 months.

The Board carried out a Board effectiveness review in 2017 with positive actions identified.

### 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 22) 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 Sub Committee (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 2017 is shown below:

Zair Berry FCA: Comco, Fisco, ISC

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

Amy Clarke: Comco, Fisco, ISC

Clive Everest FCA: Audit (Chairman: from 1 September 2017), Fisco

Vicky Hemming: Fisco, Remco

Dr Tim Hutton MRCVS: Audit, Sedco

Nico Lutkins: Comco, Fisco (from 30 March 2017)

Tim Porter FCA: Chairman of the Board

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

Rt Revd David Rossdale: Audit, Fisco, ISC

Colonel Neil C Smith MRCVS: Audit, Sedco (Chairman)

Dr Jeremy Stewart MRCVS: Comco, Sedco

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

Deirdre Walker: Audit (Chairman: to 31 August 2017), Sedco

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 2017 there were 60 Members of Blue Cross entitled to vote at the AGM. Admission to Membership requires approval of the Trustees.

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

## 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.

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.

Members of the Executive Team at 31 December 2017 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 (appointed 4 September 2017)

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

Director of People and Development: Rachel Briggs

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.

Throughout 2017 we updated our risk management policy and framework to ensure consistency in that all risks are graded using a scoring matrix and reviewed

as appropriate based on severity. Risk registers enable assessment and facilitate decision making, and staff are trained on risk identification and management as appropriate. The Board has agreed our main strategic risks, their likelihood and impact and will regularly review them every six months. Reviews will consider the work of our internal auditor and the comments made by our external auditors in their management letters and other reports. The Board receives health and safety updates during the year.

We have a formal whistleblowing policy and procedure in place.

## Principal risks and uncertainties

### RISK

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 and retain the right people

Inability to deliver strategic change

Weak, inadequate or failure of corporate governance

Inability to respond effectively to significant organisational disruption

Failure to raise and sustain positive awareness of the Blue Cross brand

### MITIGATION

We mitigate this risk through complying with professional codes of practice. We have in place crisis management arrangements, and regularly monitor media coverage, complaints and trend analysis.

We monitor the external environment through reviewing research, membership of relevant animal welfare organisations, legal and regulatory compliance, and continued competence in technology.

The Trustees and Executive Team have acknowledged the need to diversify income streams to reduce the reliance on traditional sources and to provide greater resilience. We are investing in raising income as part of our strategy to double the number of pets we help. Our investments are well managed.

Our People and Development Directorate has developed recruitment toolkits, invests in management development training, and reviews employee performance on an annual basis. We are reviewing our pay policy to ensure hard work is rewarded.

Our strategic planning is aligned to finance and resource planning and governance. Risks are regularly reviewed.

The Executive Team and Board meet regularly. Directorates are audited through an internal and external process and inadequate policies acted upon. The Board reviewed compliance with the recommendations of the Charity Code of Governance and carried out a board effectiveness review in 2017.

A crisis management arrangement is in place. Blue Cross is developing a robust risk and business continuity policy and framework. Lessons learnt from any incidents are recorded and acted upon.

A thorough business plan has outlined a strategy to mitigate against this risk. Awareness campaigns are budgeted for adequately and external agencies are managed well.

# Remuneration Committee report

## Composition and role

The remuneration committee met four times in 2017. Its members are the Chairman and three Trustees and it is attended by the Chief Executive and the 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 termination 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 and an independent consultant conducts a comparability review with proposals for each role for the forthcoming year. Blue Cross aims to pay the voluntary sector median salary for its senior executives. In 2017 the total Executive Team remuneration represented 100.8 per cent (2016 101.9 per cent) of the voluntary sector median for their specific roles.

The ratio of remuneration of the highest paid employee (£121,200pa) to the average remuneration of employees (£21,904) was 5.53 times (2016 5.58 to 1).

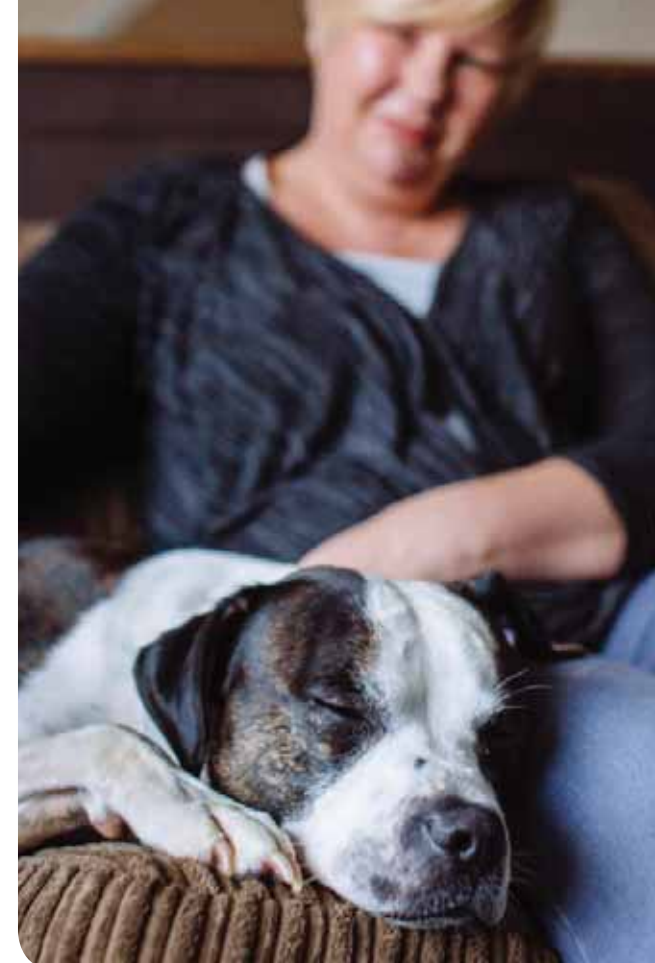
In 2017 the committee approved total settlement payments of £23,074 made to three individuals; in addition a redundancy payment totalling £12,214 was made to one individual.

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 is based on the voluntary sector median market pay levels and reflects individual performance and experience.

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



## BEST FRIEND

Rachel Bowles didn't leave the house for a year after her spinal cord was damaged during routine surgery. She was left unable to walk and forced to give up her full time job, leaving her isolated and lonely.

But since rehoming Staffordshire bull terrier **Hunter** from our Lewknor rehoming centre, Rachel says she and her husband Jeff have gained a best friend. Rachel says: "He's my best friend during the day, someone to stroke and talk to and keep me company, and my husband's best friend when he gets home from work. They are inseparable."

## Fundraising standards

Restoring public trust in charity fundraising is vital and it is extremely important to us that we demonstrate our transparency and impact. These are the fundraising standards that Blue Cross operates.

### OUR STANDARDS

### HOW WE ACHIEVE THIS

Open and accountable fundraising	Treating supporters with respect. Keeping personal details secure. Complying with regulations. Never selling or sharing our supporters' data.
Communicating with our supporters	Keeping supporters updated about how their donation is helping using their preferred contact method. Not using fundraising methods that might make a person uncomfortable.
Complying with laws, regulation and standards	Member of the Institute of Fundraising. Complying with the Fundraising Regulator code of practice. Meeting our own organisational values.
Protecting vulnerable people	Adhering to the Institute of Fundraising and Fundraising Regulator's codes of practice for vulnerable people.
Complaints and negative feedback	Investigating all complaints fully. Taking action where appropriate.
Working with partner agencies	Selecting partners carefully and monitoring them as ambassadors for Blue Cross.

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



## MUCH LOVED

Discarded like a piece of rubbish, **Fred** the pomeranian was thrown over a fence and into someone's garden before finding himself in the dog pound, all alone and confused. He was underweight, struggling to see and suffering from a skin infection that had been left untreated for some time. So shaken was Fred by his ordeal that the poor boy had to be carried through the doors of our Thirsk rehoming centre.

We gave him patience and love and got him the veterinary help he needed, and then found him a happy home he deserved with Andrew and Yvonne Hildred. "He's turned me into a sappy one!" joked Andrew, and Yvonne added: "We couldn't be without him now, we love him so much."



## 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 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 18 April 2018 and are signed on their behalf by

Tim Porter FCA, Chairman

## Gender pay data

In 2017, we conducted a gender pay review which showed a gap in the mean and median pay between males and females.

This gap exists primarily because of the underrepresentation of men in animal care and retail roles, which are lower-paid roles (about 85.14 per cent women and 14.86 per cent men). Our senior and managerial roles, which are higher paid, are fulfilled by more women than men (about 68.09 per cent women and 31.91 per cent men). Our Executive Team comprises eight employees, of which five are women and three are men.

The data shows that we have a pay gap of 25.7 per cent for the mean hourly rate and a 23 per cent pay gap for the median. These are both in favour of males.

We are confident there is not an issue regarding equal pay for performing the same role. The work we have done in the last two years performing job evaluations and establishing salary ranges for each grade of role gives us confidence that males and females who are performing equally graded roles are being rewarded within the same salary ranges.

# Independent auditors' report

To the Members and Trustees of Blue Cross

## 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 2017 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 2017 and of the Group'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 Auditors' 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 and financial statements, other than the financial statements and our auditors' 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.

## 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.

## Auditors' 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.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company, 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.

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 auditors' 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](http://frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.



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

Date: 25 April 2018

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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

## FOREVER FRIENDS

Twenty years after they first met, an ecstatic Naomi Baskerville was reunited with her childhood pony, **John Willy Parker**, thanks to Blue Cross.

Naomi was six years old when she first teamed up with pony John Willy. The two were inseparable and John Willy inspired Naomi's lifelong love of horses, helping her learn to ride.

But by age 14, Naomi had outgrown the small pony and increasing schoolwork meant she had less time to spend with her beloved pet. She found him a loving new home where he would help another young girl learn to ride, but Naomi began to regret her decision to part with him.

"When it hit me that I would probably never see John Willy again I was devastated," said Naomi. "It is the biggest regret of my life. I thought I would never get over the loss of my old friend and I was miserable for months."

John Willy ended up in our care, and years later, Naomi's mother suggested she get in touch to find out how he was getting on, and that enquiry led to jubilation. John Willy was looking for a retirement home where he could enjoy peace and quiet in his golden years. We didn't need to look any further, and were thrilled to reunite Naomi and her little pony after so many years.



## Consolidated statement of financial activities

for the year ended 31 December 2017

	Unrestricted Funds £'000	Restricted Funds £'000	2017 Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	2016 Total £'000
Note						
<b>Income and endowments from:</b>						
Donations and Legacies	24,827	5,306	<b>30,133</b>	24,225	3,647	27,872
Charitable activities	2,283	1	<b>2,284</b>	2,115	12	2,127
Other trading activities	4,773	-	<b>4,773</b>	4,520	-	4,520
Investment income	835	-	<b>835</b>	775	-	775
Other income - profit on sale of fixed assets	939	-	<b>939</b>	-	-	-
<b>Total income</b>	1 33,657	5,307	<b>38,964</b>	31,635	3,659	35,294
<b>Expenditure on:</b>						
Charitable activities						
Clinical	8,201	2,158	<b>10,359</b>	8,453	2,001	10,454
Rehoming	7,967	2,211	<b>10,178</b>	9,249	1,584	10,833
Raising awareness	4,753	-	<b>4,753</b>	4,375	-	4,375
Advice and support	1,091	-	<b>1,091</b>	1,046	-	1,046
Raising funds	5,273	-	<b>5,273</b>	5,324	-	5,324
Other trading activities	6,006	-	<b>6,006</b>	5,603	-	5,603
<b>Total Expenditure</b>	2 33,291	4,369	<b>37,660</b>	34,050	3,585	37,635
Net gains on investment assets	9 3,657	-	<b>3,657</b>	3,387	-	3,387
<b>Net Income before transfers</b>	3 4,023	938	<b>4,961</b>	972	74	1,046
Transfers between funds	375	(375)	-	925	(925)	-
<b>Net movement in funds for the year</b>	4,398	563	<b>4,961</b>	1,897	(851)	1,046
<b>Reconciliation of funds</b>						
Funds brought forward at 1 January 2017	59,767	876	<b>60,643</b>	57,870	1,727	59,597
<b>Funds carried forward at 31 December 2017</b> <sup>14</sup>	64,165	1,439	<b>65,604</b>	59,767	876	60,643

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 balance sheet

for the year ended 31 December 2017

		Consolidated		Charity	
Note	2017 £'000	2016 £'000	2017 £'000	2016 £'000	
<b>Fixed assets</b>					
Tangible assets	8 <b>23,208</b>	23,384	<b>23,208</b>	23,384	
Investments	9 <b>35,781</b>	30,808	<b>35,781</b>	30,808	
		<b>58,989</b>	54,192	<b>58,989</b>	54,192
<b>Current assets</b>					
Stocks	10 <b>266</b>	170	<b>92</b>	114	
Debtors	11 <b>12,830</b>	13,282	<b>13,017</b>	13,544	
Cash at bank and in hand	<b>3,015</b>	5,905	<b>2,971</b>	5,681	
		<b>16,111</b>	19,357	<b>16,080</b>	19,339
<b>Liabilities</b>					
Creditors: Amounts falling due within one year	12 <b>(2,496)</b>	(2,906)	<b>(2,465)</b>	(2,888)	
<b>Net current assets</b>	<b>13,615</b>	16,451	<b>13,615</b>	16,451	
<b>Long term loan</b>	13 <b>(7,000)</b>	(10,000)	<b>(7,000)</b>	(10,000)	
<b>Net assets</b>	14 <b>65,604</b>	60,643	<b>65,604</b>	60,643	
Restricted funds	15 <b>1,439</b>	876	<b>1,439</b>	876	
Unrestricted funds	15 <b>64,165</b>	59,767	<b>64,165</b>	59,767	
<b>Total funds</b>	<b>65,604</b>	60,643	<b>65,604</b>	60,643	

Approved by the Trustees on 18 April 2018 and signed on their behalf by



Tim Porter FCA  
Chairman



Stephen Swift  
Vice Chairman

Company number 363197

The notes on pages 33 to 45 form part of these accounts.



## Consolidated statement of cash flows

for the year ended 31 December 2017

	2017 £'000	2016 £'000	
<b>Cash flows from operating activities:</b>			
<b>Net Cash provided by (used in) operating activities</b>	<b>1,453</b>	<b>(3,519)</b>	<b>Table A</b>
<b>Cash flows from Investing activities.</b>			
Dividends, interest and rents from investments	835	775	
Purchase of property, plant and equipment	(1,914)	(2,016)	
Purchase of investments	(5,152)	(4,637)	
Proceeds from sale of investments	3,836	4,758	
<b>Net cash from investing activities</b>	<b>(2,395)</b>	<b>(1,120)</b>	
<b>Cash flows from financing activities</b>			
Repayment of borrowing	(3,000)	-	
Proceeds from sale of fixed assets	1,052	-	
Net inflow from new borrowings	-	7,996	
<b>Net cash (used in)/provided by financing activities</b>	<b>(1,948)</b>	<b>7,996</b>	
<b>Change in cash and cash equivalents in the year</b>	<b>(2,890)</b>	<b>3,357</b>	
Cash and cash equivalents at beginning of year	5,905	2,548	
<b>Cash and cash equivalents at end of year</b>	<b>3,015</b>	<b>5,905</b>	<b>Table B</b>

<b>Table A</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Net Income for the year</b>	4,961	1,046
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	1,810	1,851
Gains on Investments	(3,657)	(3,387)
Dividends, Interest and rents from Investments	(835)	(775)
(Profit)/loss on disposal of fixed assets	(939)	1
Increase in stocks	(96)	(15)
Decrease/(Increase) in debtors	452	(2,009)
Decrease in creditors	(243)	(231)
<b>Net cash provided by (used in) operating activities</b>	<b>1,453</b>	<b>(3,519)</b>

<b>Table B</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Cash in hand	3,015	5,905
<b>Total cash and cash equivalents</b>	<b>3,015</b>	<b>5,905</b>

## Notes to the financial statements

for the year ended 31 December 2017

### 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 4 and 5.

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 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:

- Raffle income is recognised when the cash is received and sponsorship income is accounted for when receivable
- 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
- Income from Trading subsidiaries is represented by the commission receivable and on goods sold during the year, excluding VAT. This includes sales from "Blue Cow"
- Investment income is accounted for when receivable
- Clinical, Rehoming and Rehabilitation income is accounted for when receivable and includes any associated donations
- Gifts in kind are valued at true cost where material
- The policy for legacy income is shown in note 1c below

#### c Legacies

Incoming resources are included gross in the Statement of Financial Activities when the charity is entitled to the income at the date of notification, 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 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 132 estates (2016 – 124), which are subject to life tenancies, trust funds and which mainly comprise shares in properties and investments. As Blue Cross interest is reversionary, income from these estates 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 18.

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

for the year ended 31 December 2017

### d Tangible Fixed Assets

Tangible fixed assets represent freehold land and buildings, motor vehicles and equipment. 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.

### 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 properties is not depreciated but is tested for impairment.

Freehold properties - hospitals and administration	50 years
Freehold properties - rehoming centres	25 years
Leasehold improvements	5 years
Equipment	4 years
Motor vehicles	3 years
Computers	4 years

### f Listed 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.

### 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

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.

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.

Dilapidations have been calculated on properties where the lease has or is about to expire.

Irrecoverable VAT is included in relevant expense categories.

### i Expenditure (continued)

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:

	<b>2017</b>	2016
	<b>%</b>	<b>%</b>
Cost of generating funds	<b>7.68</b>	8.16
Service Delivery:		
Clinical	<b>29.09</b>	28.78
Rehoming	<b>38.56</b>	39.44
Raising awareness	<b>4.26</b>	4.18
Blue Cross shops	<b>16.96</b>	16.24
Advice and support	<b>2.92</b>	2.74
Governance Costs	<b>0.53</b>	0.46
	<b>100.00</b>	100.00

### 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 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.

### l 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.

# Notes to the financial statements (cont'd)

for the year ended 31 December 2017

## 1 Total Income

	2017 £'000	2016 £'000
<b>Donations and legacies</b>		
Donations and gifts	9,031	8,880
Legacies received	20,502	18,458
Raffle and sponsorship	600	534
	<b>30,133</b>	<b>27,872</b>
<b>Charitable activities</b>		
Clinical	1,319	1,221
Rehoming	910	876
Advice and support	55	30
	<b>2,284</b>	<b>2,127</b>
<b>Other trading activities</b>		
Income from Blue Cross shops	4,016	4,018
Income from trading subsidiaries	757	502
	<b>4,773</b>	<b>4,520</b>
<b>Investment income</b>		
Investment income received & receivable	829	757
Interest received & receivable	6	18
	<b>835</b>	<b>775</b>
<b>Other income - profit on sale of fixed assets</b>	<b>939</b>	<b>-</b>
<b>Total incoming resources</b>	<b>38,964</b>	<b>35,294</b>

## 2 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	<b>Group 2017 Total £'000</b>	Group 2016 Total £'000
Staff costs (note 6)	1,626	2,039	6,032	5,160	908	708	57	3,434	<b>19,964</b>	20,068
Other staff related costs	50	49	112	56	19	12	3	216	<b>517</b>	543
Service delivery	-	-	1,468	965	-	-	-	-	<b>2,433</b>	2,617
PR and marketing	2,821	16	11	8	3,383	40	-	21	<b>6,300</b>	5,957
Trading costs	-	312	-	-	-	-	-	-	<b>312</b>	184
Property	7	1,866	310	616	10	16	-	235	<b>3,060</b>	2,978
Equipment and IT	24	65	183	103	34	4	-	854	<b>1,267</b>	1,367
Depreciation	-	176	-	-	-	-	-	1,634	<b>1,810</b>	1,837
Transportation costs	44	125	83	256	36	53	1	102	<b>700</b>	758
Other operating costs	140	120	36	178	52	45	18	668	<b>1,257</b>	1,061
Grants	-	-	-	20	-	-	-	20	<b>40</b>	265
<b>Total</b>	<b>4,712</b>	<b>4,768</b>	<b>8,235</b>	<b>7,362</b>	<b>4,442</b>	<b>878</b>	<b>79</b>	<b>7,184</b>	<b>37,660</b>	<b>37,635</b>
Governance Reallocation	6	13	23	32	3	2	(79)	-	-	-
Support costs reallocation	555	1,225	2,101	2,784	308	211	-	(7,184)	-	-
<b>Total</b>	<b>5,273</b>	<b>6,006</b>	<b>10,359</b>	<b>10,178</b>	<b>4,753</b>	<b>1,091</b>	<b>-</b>	<b>-</b>	<b>37,660</b>	<b>37,635</b>
Total 2016	5,324	5,603	10,454	10,833	4,375	1,046	-	-	-	37,635

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

## 3 Net Income before transfers

	2017 £'000	2016 £'000
Net Income before transfers is stated after charging:		
Depreciation	1,810	1,851
External auditors' remuneration:		
Audit	35	35
Other assurance and taxation services	12	12
Operating Lease Rentals	1,367	1,583

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

for the year ended 31 December 2017

### 4 Blue Cross (D&B) Company Limited

The Charity has set up 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 gift. Blue Cross (D&B) Company Limited is incorporated in the UK, Company number 4879277.

Blue Cross (D&B) Company Ltd. was dormant during 2017 and 2016.

### 5 Blue Cross Trading Company Limited

Blue Cross Trading Company Limited (Company number: 2203092) is a wholly owned subsidiary which 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 rehoming centres and income generated by the "Blue Cow" milkshake operation which was run through an outlet in Stratford Upon Avon (which closed in November 2016) and at a number of events throughout the UK. Net taxable profits are transferred to Blue Cross by way of gift. A summary of the trading results is shown below:

	Blue Cross Trading Company Limited	
	2017 £'000	2016 £'000
<b>Profit and Loss Account</b>		
Turnover	757	502
Cost of Sales	(308)	(185)
<b>Operating profit</b>	<b>449</b>	<b>317</b>
Administrative Expenses	(4)	(50)
Management charge from Blue Cross	(35)	(33)
<b>Profit on ordinary activities</b>	<b>410</b>	<b>234</b>
Tax on profit on ordinary activities	-	-
<b>Profit on ordinary activities after taxation</b>	<b>410</b>	<b>234</b>
Gifted to Blue Cross	(410)	(234)
Retained Profit	-	-
<b>Total assets</b>	<b>227</b>	<b>322</b>
<b>Total liabilities</b>	<b>(227)</b>	<b>(322)</b>
<b>Total funds</b>	<b>-</b>	<b>-</b>

Total gross income for the parent entity during the year was £38.65m (2016 - £35.06m).

### 6 Staff costs

	2017 Group £'000	2016 Group £'000
Wages and salaries	16,727	16,888
Social security costs	1,568	1,495
Pension contributions	1,141	1,116
	<b>19,436</b>	19,499
Other staff costs	528	567
	<b>19,964</b>	20,066

In 2017 the remuneration committee approved total settlement payments of £23,075 made to 3 individuals; in addition a redundancy payment totalling £12,215 was made to 1 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:

	2017 Group Average	2016 Group Average	2017 Group FTE	2016 Group FTE
Generating voluntary income	54	57	48	52
Raising awareness	28	28	27	27
Blue Cross shops	165	152	107	104
Clinical	217	225	183	183
Rehoming	280	292	244	251
Advice and support	21	21	18	17
Governance	3	3	3	3
	<b>768</b>	778	<b>630</b>	637

The Executive team, as defined in the Trustee Report, received total remuneration including pension contributions and employers National Insurance of £899,451 (2016 - £955,967).

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

	2017 Group Number	2016 Group Number
£60,001 - £70,000	3	3
£70,001 - £80,000	2	2
£80,001 - £90,000	4	3
£90,001 - £100,000	-	2
£100,001 - £110,000	1	-
£120,001 - £130,000	1*	1*

\*Denotes Chief Executive.

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

for the year ended 31 December 2017

Contributions made in the year for the provision of money purchase pension schemes totalled £71,228 for those eleven employees (2016 - £81,837 for eleven 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 six Trustees and amounted to £8,294 (2016 - nine Trustees £9,321).

Trustee Indemnity Insurance was provided in the year at a total cost of £2,554 to the Charity (2016 - £2,497).

During 2017 our volunteer team expanded to over 4,470 (2016 - over 4,200) volunteers together contributing 459,230 hours (2016 - over 455,550) to the charity. 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.

### 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	Freehold land and buildings £'000	Leasehold improvement £'000	Equipment £'000	Motor Vehicles £'000	Computers £'000	Assets under construction £'000	Total £'000
<b>Cost</b>							
At 1 January 2017	33,588	1,308	1,110	150	1,958	1,547	<b>39,661</b>
Additions	89	48	162	2	86	1,360	<b>1,747</b>
Disposals	(342)	-	-	-	-	-	<b>(342)</b>
Transfers	2,440	-	-	-	-	(2,440)	-
<b>At 31 December 2017</b>	<b>35,775</b>	<b>1,356</b>	<b>1,272</b>	<b>152</b>	<b>2,044</b>	<b>467</b>	<b>41,066</b>
<b>Depreciation</b>							
At 1 January 2017	13,173	1,013	796	137	1,158	-	<b>16,277</b>
Charge for the year	1,128	170	169	12	331	-	<b>1,810</b>
Disposals	(229)	-	-	-	-	-	<b>(229)</b>
<b>At 31 December 2017</b>	<b>14,072</b>	<b>1,183</b>	<b>965</b>	<b>149</b>	<b>1,489</b>	<b>-</b>	<b>17,858</b>
<b>Net Book Value</b>							
<b>At 31 December 2017</b>	<b>21,703</b>	<b>173</b>	<b>307</b>	<b>3</b>	<b>555</b>	<b>467</b>	<b>23,208</b>
<b>Net Book Value</b>							
<b>At 31 December 2016</b>	20,415	295	314	13	800	1,547	23,384

Assets under course of construction relate to the build project at Lewknor (2016 - Burford).

### 9 Fixed asset investments

	Group and Charity 2017 £'000	Group and Charity 2016 £'000
Market value at 1 January 2017	<b>30,808</b>	27,542
Disposals at brought forward market value	<b>(3,582)</b>	(4,916)
Acquisitions at cost	<b>5,152</b>	4,637
Unrealised gains on revaluation	<b>3,403</b>	3,545
<b>Market value at 31 December 2017</b>	<b>35,781</b>	30,808

The total of realised and unrealised gains in the Statement of Financial Activities (£3,657k) includes £254k of realised gains from the carrying value at last year end.

The above investments consist of:

	UK	Non-UK	2017 £'000	2016 £'000
Fixed Interest securities	2,219	-	<b>2,219</b>	2,979
Other listed shares and securities	19,040	14,522	<b>33,562</b>	27,829
Investments in subsidiary undertakings	-	-	-	-
	21,259	14,522	<b>35,781</b>	30,808
<b>Historical cost as at 31 December 2017</b>			<b>25,404</b>	23,345

### 10 Stocks

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Veterinary drugs for charitable purposes	<b>92</b>	114	<b>92</b>	114
Goods for resale	<b>174</b>	56	-	-
	<b>266</b>	170	<b>92</b>	114

### 11 Debtors

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Income Tax Recoverable	<b>411</b>	208	<b>411</b>	208
Trade debtors	<b>9</b>	12	<b>9</b>	12
Amounts owed by group undertakings	-	-	<b>195</b>	292
Legacy debtors	<b>11,250</b>	11,606	<b>11,250</b>	11,606
Other debtors	<b>184</b>	502	<b>176</b>	500
Prepayments and accrued income	<b>956</b>	914	<b>956</b>	886
Loan to The Irish Blue Cross	<b>20</b>	40	<b>20</b>	40
	<b>12,830</b>	13,282	<b>13,017</b>	13,544

At the balance sheet date a loan of £20,000 (2016 - £40,000) was outstanding to The Irish Blue Cross, a registered Charity in Eire. 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.

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

for the year ended 31 December 2017

### 12 Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Trade creditors	598	1,309	597	1,301
Social security and other taxes	377	381	377	381
Other creditors	179	282	179	282
Accruals and deferred income	1,342	934	1,312	924
	<b>2,496</b>	<b>2,906</b>	<b>2,465</b>	<b>2,888</b>

### 13 Long term loan

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 5 years, the first payment of £2m due in 2019, second of £3m in 2020 with the remaining £5m in 2021. During 2017 an early repayment of £3m was made leaving a balance of £7m at 31 December 2017

### 14 Analysis of net assets between funds

	2017			2016		
	Restricted £'000	Unrestricted £'000	Total funds £'000	Restricted £'000	Unrestricted £'000	Total funds £'000
Tangible fixed assets	-	23,208	23,208	-	23,384	23,384
Investments	204	35,577	35,781	204	30,604	30,808
Net current assets	1,235	5,380	6,615	672	5,779	6,451
<b>Net assets at the end of the year</b>	<b>1,439</b>	<b>64,165</b>	<b>65,604</b>	<b>876</b>	<b>59,767</b>	<b>60,643</b>

### 15 Movement in funds

#### Purposes of restricted funds

The principal restricted funds are those held in respect of the following funds. These funds are specifically for the use at the centres named below.

	At 1 January 2017 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains £'000	At 31 December 2017 £'000
<b>Restricted funds:</b>						
<i>With transactions above £250k:</i>						
Burford running costs	-	407	(407)	-	-	-
Cambridge running costs	-	628	(284)	-	-	344
Suffolk running costs	-	526	(526)	-	-	-
Victoria running costs	-	1,743	(1,743)	-	-	-
Other Restricted Funds	876	2,003	(1,409)	(375)	-	1,095
<b>Total restricted funds</b>	876	5,307	(4,369)	(375)	-	1,439
<b>Unrestricted funds</b>	59,767	33,657	(33,291)	375	3,657	64,165
<b>Total funds</b>	<b>60,643</b>	<b>38,964</b>	<b>(37,660)</b>	<b>-</b>	<b>3,657</b>	<b>65,604</b>

	At 1 January 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains £'000	At 31 December 2016 £'000
<b>Restricted funds:</b>						
<i>With transactions above £250k:</i>						
Burford capital	858	40	-	(898)	-	-
Burford running costs	-	417	(417)	-	-	-
Southampton running costs	-	335	(335)	-	-	-
Thirsk running costs	-	255	(255)	-	-	-
Victoria running costs	-	1,266	(1,266)	-	-	-
Other Restricted Funds	869	1,346	(1,312)	(27)	-	876
<b>Total restricted funds</b>	1,727	3,659	(3,585)	(925)	-	876
<b>Unrestricted funds</b>	57,870	31,635	(34,050)	925	3,387	59,767
<b>Total funds</b>	<b>59,597</b>	<b>35,294</b>	<b>(37,635)</b>	<b>-</b>	<b>3,387</b>	<b>60,643</b>

### 16 Related parties, subsidiary charities and welfare associates

#### Related parties:

	2017 £'000	2016 £'000
The Irish Blue Cross		
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.

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

for the year ended 31 December 2017

The following Trustees of the Irish Blue Cross are also Trustees of Blue Cross:

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

Other than the transactions with its subsidiaries, which are disclosed in note 5, and the above transactions with the Irish Blue Cross there have been no other related party transactions.

### Subsidiary Charities

The following charities are classified as subsidiary charities on the Charity Commission's Register and are included in the accounts and 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:

	2017 £'000	2016 £'000
The Mayflower Sanctuary	20	20

### Connected charity

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.

## 17 Pension costs

The Charity contributes to a 'money purchase' pension scheme for salaried employees. Payments made to the scheme and charged in the accounts comprise current contributions. These contributions payable by the Charity amounted to £1,141,112 (2016 - £1,116,103). All contributions were paid in the year.

## 18 Legacies

At the year-end the charity was aware that it was a beneficiary of an estimated 227 (2016 - 223) 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 £3.29m (2016 - £3.4m).

Blue cross is also entitled to receive income from approximately another 132 estates (2016 - 124), which are subject to life tenancies, trust funds and which mainly comprise shares in properties and investments. As Blue Cross interest is reversionary, income from these estates is not recognised at this stage.

## 19 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.

## 20 Commitments

Details of commitments at the accounting date are as follows:

	2017 £'000	2016 £'000
Contracted for but not provided for:		
Burford Refurbishment	31	695
Lewknor	178	-
	<b>209</b>	695

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

### Expenditure planned over next five years but not contracted for:

	2017 £'000	2016 £'000
Clinical	2,839	805
Rehoming	3,759	4,882
Blue Cross shops	456	120
Infrastructure	1,200	2,880
Total Planned Expenditure	<b>8,254</b>	8,687

## 21 Contingent liabilities

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 2017 is £668k (2016 - £613k).

## 22 Other financial commitments

At 31 December 2017 Blue Cross was committed to making the following payments under operating leases in future years:

	Land and buildings £'000	Other £'000	2017 Total £'000	2016 Total £'000
Operating leases payable:				
Within 1 year	1,236	173	1,409	1,425
Within 2 to 5 years	3,572	276	3,848	3,758
More than 5 years	929	-	929	776
	5,737	449	6,186	5,959

# Reference and administrative details

For the year ended 31 December 2017

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 KCV OBE  
RT Vyner CBE

## Ambassadors

Pam Ferris  
Kris Glover (resigned 13 March 2018)  
Chris Packham (appointed 18 December 2017)  
Lord Trees (appointed 18 December 2017)

## 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  
Amy Clarke  
Clive Everest FCA  
Professor Anthony Forster FHEA FRSA AcSS (resigned 28 September 2017)  
Vicky Hemming  
Dr Tim Hutton MRCVS  
Nico Lutkins (appointed 30 March 2017)  
The Hon Henrietta Roper-Curzon (Vice-Chairman)  
Rt Revd David Rosedale (resigned 29 March 2018)  
Colonel Neil C Smith MRCVS  
Dr Jeremy Stewart MRCVS  
Stephen Swift (Vice-Chairman)  
Deirdre Walker

## Chief Executive

Sally de la Bedoyere

## Secretary

Huw Davies (resigned 7 February 2017)

Adele Fuller (appointed 7 February 2017)

## Bankers

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

## Solicitors

Bircham Dyson Bell 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 Investment Management Limited  
8 Finsbury Circus  
London  
EC2M 7AZ

# Thank you

Blue Cross would like to pay particular acknowledgement and thanks to the following trusts, companies and individuals for their generous support during 2017.

## Corporate Partners

Ceva Animal Health  
CVS  
Dodson & Horrell  
Mars Petcare UK Ltd  
National Veterinary Services Ltd  
PayPal  
Pet Plan Ltd  
Pets at Home Group plc  
Rockface4Men  
Tesco plc  
Tolsa UK Ltd  
Zoetis

## Trusts and Foundations

Hatcher Animal Welfare Trust  
L E Andrews Charitable Trust  
The Barry Green Memorial Fund  
Petplan Charitable Trust  
The Serth and Gates Charity  
The Sir Peter O'Sullivan Charitable Trust  
The MT & VL Wythe Charitable Trust for Animals

## Individuals

Kateryna and John Downer  
In memory of Keith Keen  
In memory of the late Marie Keene  
Michael Price

We would also like to thank our partners across the animal charity sector with whom we have worked closely throughout 2017 to pool resource and knowledge, and as such make a positive impact on the lives of pets and their owners.

## In memory

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

Peter Carpmael, former Secretary and Governor  
Angela Donovan, former Personal Assistant to the Secretary  
Tracie McGrory, Pet Bereavement Support Service Manager



# Find us

- Blue Cross animal hospitals**
1. Victoria
  2. Hammersmith
  3. Merton
  4. Grimsby

We have 18 rehoming network locations where animal care colleges and volunteers care for and rehome over 1,000 cats a year.

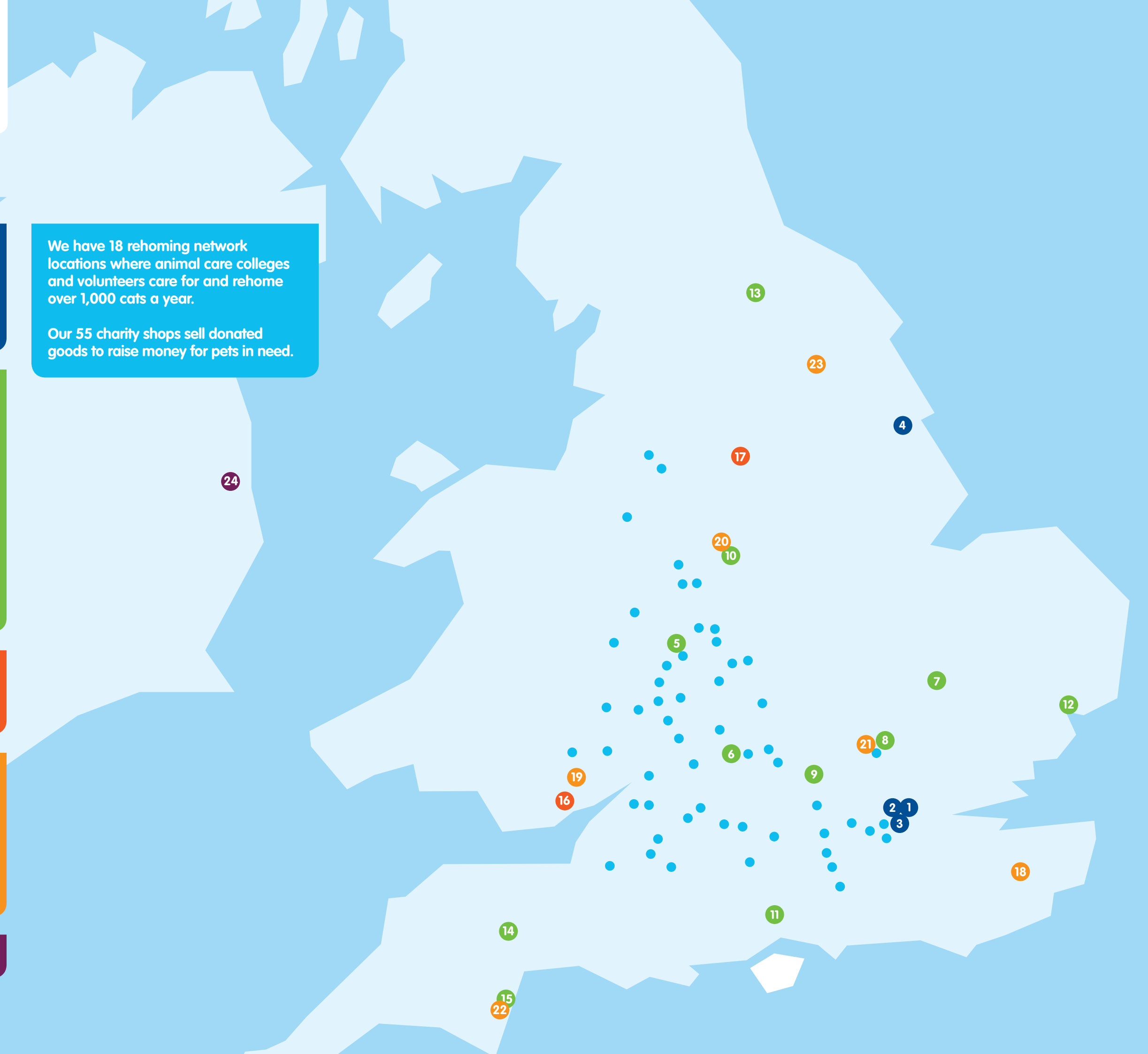
Our 55 charity shops sell donated goods to raise money for pets in need.

- 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 rehoming and advice units**
16. Newport
  17. Sheffield (opening 2018)

- Blue Cross pet care clinics**
18. Ashford (opening 2018)
  19. Cwmbran
  20. Derby
  21. Luton (opening 2018)
  22. Torbay (opening 2018)
  23. York (opening 2018)

- 24. Irish Blue Cross**





MC-12665-1117

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

facebook.com/thebluecrossUK  
twitter/com/The\_Blue\_Cross  
youtube.com/thebluecrossUK



Pets change lives  
We change theirs