



**BLUE CROSS
ANNUAL
REPORT 2013**



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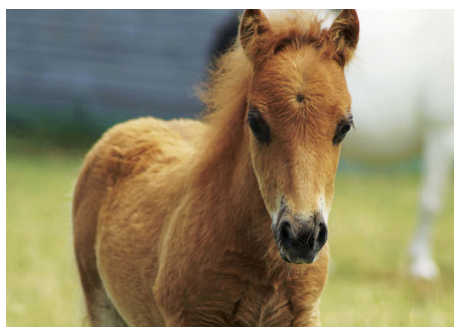
The 2013 annual report and financial statements have been prepared in accordance with current statutory requirements, the Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005).

COVER IMAGE

Blue Cross rescue horse Petal.

CLINICAL

We care for sick and injured pets when their owners can't afford private treatment.



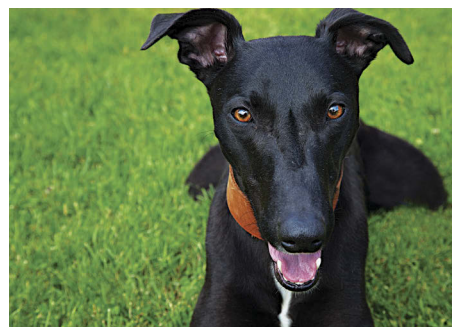
BEHAVIOUR

We help pets with behavioural issues to have happy, healthy futures.



REHOMING

We find happy new homes for abandoned or unwanted pets.



EDUCATION

We educate the pet owners of the future by giving talks and providing information.

PET BEREAVEMENT

We support people who are struggling to cope with the loss of a much-loved pet.

WELCOME FROM OUR CHAIRMAN



My welcome is an opportunity to reflect on the health of the charity and to remind ourselves of some of the wonderful work that the teams at Blue Cross have been doing over the last year. I am delighted to share with you some of their successes from 2013 and plans we have for 2014 and beyond.

In the Trustees' Report that follows you will read about the refurbished cattery in Bromsgrove, enhanced facilities for the animals treated in Grimsby, a new pet care clinic in Derby, further expansion to our Home Direct and Pet Fostering Schemes, the National Equine Survey led by Blue Cross and the education programmes for young people. These are just a few of the projects that our dedicated teams have worked on to meet the charity's objectives.

“OUR RESPONSIBILITY AS TRUSTEES IS TO USE OUR DONORS' FUNDS WISELY AND WE TAKE THIS VERY SERIOUSLY.”

We have carried out a thorough review of all of our services with the ambitious goal of doubling the number of pets we help over the next 10 years, and the Service Delivery Development Programme which we have initiated will underpin the future of Blue Cross. We will only achieve this plan if we are able to engage more supporters and secure higher levels of income. Following on from our rebrand we have seen huge increases in our social media profile in 2013, and our engagement in lobbying and having a voice on the animal welfare agenda is a significant step in raising awareness.

Our responsibility as Trustees is to use our donors' funds wisely and we take this very seriously. We recognise the need to be transparent, which is the very essence of an Annual Report and Accounts, and for an open dialogue to ensure that we maintain the reputation of the charity.

The beginning of 2014 was a difficult time for the organisation with the resignation of our Chief Executive. The Board has conducted enquiries into the press allegations which led to this unhappy event and has taken extensive legal advice in consultation with the Charity Commission. I want to reassure you that we are listening, learning and taking a thorough look at all of our processes. We remain resolutely committed to ensuring that our focus remains on what we do best – helping as many sick, injured and homeless pets as possible.

2013 saw a number of changes to our governance. On the Board, three Trustees, Adrian Rowbotham, Roger Green and Mervyn Reed retired and we thank them for their wise advice over many years. We were delighted to welcome Professor Anthony Forster to the Board and we are grateful for his valuable contribution. We were extremely sad about the sudden passing of Julie Hyde, a Trustee since 2003. Julie, who was a great animal lover, was founding Chairman of the Audit Committee and is very much missed.

While we are recruiting a new Chief Executive, Stephen Swift, a Blue Cross Trustee for the last two years who was previously with the National Trust, has agreed to act as our Interim Chief Executive. Stephen will help to ensure that the direction of the charity is on track and he has already identified areas which need added focus, and is not afraid to recommend change.

You can find out more about our achievements in 2013 over the following pages of this report, and some immediate plans which we look forward to implementing. Exciting times lie ahead for Blue Cross and, on behalf of the animals, I would like to thank you for your continued support.

Zair Berry
Chairman

WHO WE ARE

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.

Blue Cross has been dedicated to helping poorly, injured and abandoned pets since 1897. We opened the world's first animal hospital in 1906 and since then our doors have never closed to sick and homeless animals.

Today we run four animal hospitals and 12 rehoming centres across the UK, which provide treatment and seek happy homes for thousands of cats, dogs, small pets and horses every year.

OUR TIMELINE

1897

A group of animal lovers founded Our Dumb Friends League – the original name for Blue Cross – to care for working horses on the streets of London.

1906

We opened our animal hospital in Victoria, London, which was the first of its kind in the world.

1912

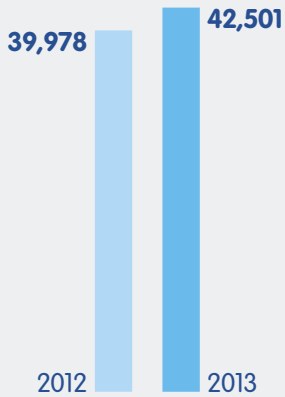
We launched the Blue Cross Fund to help animals during the Balkan War.

1914

At the outbreak of the First World War, we reopened our Blue Cross Fund to help animals on the frontline. We provided vital veterinary supplies and treated more than 50,000 sick and injured horses and 18,000 dogs, funded by donations from the British public.

Number of pets helped

+6%



THE DEGUS

We took in 58 degus after their owner contacted us with a plea for help. She'd mistakenly thought her pets were the same sex but before she knew it two degus turned to dozens.

Things quickly spiralled out of control and we took in as many as we could and found them new homes. We also helped the owner to identify the sex of her degus to avoid any more unwanted babies in the future.



1945

To help servicemen bring dogs back from overseas, our boarding kennels in Blackheath, London, were used for quarantine purposes.

1958

We became officially known as The Blue Cross.

1992

We were the first animal welfare charity to employ an animal behaviourist to help owners with problem pets.

1997

We celebrated our centenary and Her Majesty The Queen became Patron.

2013

Our 12 rehoming centres, four animal hospitals and network of clinics and foster carers helped 42,501 sick, injured and homeless pets.

57,000
YOUNG PEOPLE
EDUCATED

PUBLIC BENEFIT

All of our charitable activities aim to help needy pets, and their owners, and to encourage and promote kindness to animals by providing information and education.

WHO USED AND BENEFITED FROM OUR SERVICES?

Rehoming

We find homes for unwanted cats, dogs, small pets and horses across the UK and our tailor-made service lets us help each pet find the right home. In 2013 we helped nearly 8,200 homeless pets.

Clinical

Our four animal hospitals and network of clinics treat sick and injured pets when their owners cannot afford private fees. We treated more than 34,000 pets in 2013.

Behaviour

We help pets who arrive at Blue Cross with behavioural issues and offer ongoing support to anyone who rehomes a pet from us. Our Behaviour Team carried out 2,602 consultations, assessments, telephone calls and site visits in 2013.

Education

We promote animal welfare to the pet owners of the future by giving talks and offering advice. In 2013 we reached more than 57,000 children and young people.

Pet bereavement

Our Pet Bereavement Support Service is available 365 days a year to help people who are struggling to cope with the loss of a pet. Our trained volunteers handled 3,200 confidential calls in 2013.

All charities in England and Wales must undertake activities to further their purposes for the public benefit. In setting our aims and objectives, and planning our activities, the Trustees have given careful consideration to the Charity Commission's guidance on public benefit. In this report, we have outlined both the strategies we have adopted, and the activities we have undertaken, to fulfil our obligations.

Scotland

During the year, Blue Cross supported activity in Scotland through the provision of a £25,000 grant to Pet Fostering Service Scotland.

THE NEED

While the challenges that animals face have changed over time, the need for our services has not. In fact, it has never been greater. These are just some of the reasons why:

- Pet ownership is on the increase and so are the associated welfare problems
- There has been a significant increase in pets being advertised online, and a growing culture of animals being seen as disposable – easy to get and to throw away
- We are seeing greater demand for our Clinical Services
- The horse welfare situation has reached crisis point with thousands of unwanted and abandoned horses facing an uncertain future
- Money remains tight and changes to welfare and benefits mean that there will continue to be people who need charities like Blue Cross to support them

The world in which we live is changing and we have to keep up, not only so that we can continue to help pets, but so that we can help even more.



LUIGI

Luigi was just a few days old when he was dumped in a skip with his four littermates. The kittens were freezing cold, covered in dust and needed intensive hand-rearing around the clock if they were to have any chance of survival.

Sadly, one was too weak and didn't make it, but the other four grew stronger every day. Within weeks they were typical bright, bouncy and cheeky kittens who quickly found homes.

STRATEGIC REPORT

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.

OUR OBJECTIVES AND GOALS

Our strategy is to reach as many pets as possible in order to have the greatest impact. Our three strategic pillars will help us to achieve this:

- **Accessibility and reach**
Making sure our services and advice are accessible to those who need us the most and reaching more people and pets. To do this we need to be in the right areas and deliver the right services in the most appropriate way
- **Famous, recognised and well regarded**
We must strive to raise awareness of Blue Cross and what we do, 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

ACHIEVEMENTS AND PERFORMANCE – HIGHLIGHTS OF 2013

We have completed a thorough review of the quality of all our facilities. This underpins our Service Delivery Development Programme (SDDP), which includes improvements to our existing sites and also investment in new sites over the next eight years.

Refurbishment at Grimsby

We carried out a £175,000 refurbishment at our Grimsby hospital so that the animals can be as comfortable as possible during their stay with us. The new facilities provide a completely separate cat and dog area and new kennels, including larger ones for recuperating animals.

Cattery at Bromsgrove

We reopened the cattery at our Bromsgrove rehoming centre after a £165,000 refurbishment to bring it up to modern welfare standards. Being in a cattery environment can be stressful and we hope that the improved accommodation will help the cats to be more relaxed during their stay.

Derby clinic

We opened a new pet care clinic in Derby to help local animals whose owners cannot afford private vet fees. It is based at Pride Veterinary Centre and is the result of an arrangement with Scarsdale Veterinary Group. We hope to help 1,500 pets each year.

We are continuously investigating innovative means of working more efficiently to deliver our services, and this is just one of the ways that we are helping more animals without needing a physical building and the associated costs.

125,000+
FACEBOOK LIKES

25,000+
TWITTER FOLLOWERS



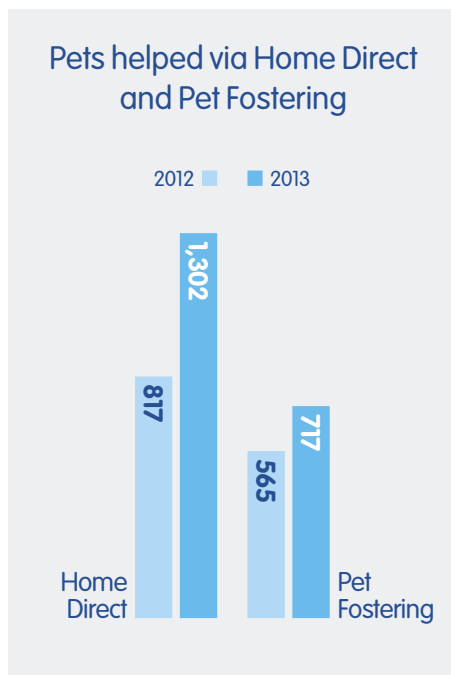
BRIDGET

Bridget the rabbit and her five young babies were found abandoned at a local nature reserve. The kits were only around four weeks old when they were rescued, but they got lots of TLC at Blue Cross before being rehomed when they were old enough.

Home Direct and Pet Fostering

Our successful Home Direct and Pet Fostering Schemes continued to grow, rehoming 46 per cent more pets than in 2012. Not only is this better for the pets but it frees up space at our centres for animals that have no other choice, for example if they are stray or abandoned.

We also expanded our Short Term Foster Scheme, where volunteers care for pets in their own homes to give them a break from kennels.



Educating young people

We carried out 1,154 education talks, reaching more children than ever before – and 23 per cent more than 2012. This included 210 RespectaBULL workshops for current and potential owners of bull breed dogs, which explore issues surrounding animal welfare and the law. The workshops reached 6,598 young people.

We worked with Jade’s Campaign, headed up by the parents of Jade Anderson, who died after she was attacked by dogs at a friend’s home in March. The campaign aims to promote responsible dog ownership, and we held school talks and attended microchipping events.

We held our second Animals in Education Awards to recognise the effort that colleges and schools put into providing excellent facilities for the animals in their care. The winners were:

Best Animal Centre

Shuttleworth College

Best Equestrian Centre

Kingston Maurward College

National Equine Health Survey

Our National Equine Health Survey (NEHS) received the biggest response to date. With the help of the Household Cavalry, who encouraged horse owners to take part, we collected data from 4,730 horses.

NEHS is a pioneering, industry-recognised survey, led by Blue Cross, that looks at the general health of horses, ponies, donkeys and mules. It is the only survey of its kind in the UK and aims to spot trends so we can see the main problems affecting equines and take steps to prevent them.

Public Affairs

The Public Affairs Team worked with sector partners, politicians and the government to make a difference to pet welfare. We welcomed a number of MPs to our centres and hospitals, including Lord de Mauley, the Minister for Animal Welfare, and campaigned on issues as diverse as the horse crisis, the national curriculum, pet advertising and cat cafes.

Getting it right on dangerous dogs

Blue Cross is a major contributor to the dangerous dogs debate, and in 2013 the government finally introduced legislation to address the various dog control issues that continue to impact on communities.

While we were pleased that the government responded to our calls for the extension of the law to private property, and the inclusion of attacks on assistance dogs as a criminal offence, we do not think that the new measures go far enough.

Throughout the passage of the Anti-social Behaviour, Crime and Policing Bill, we lobbied politicians in both houses, producing a series of briefing notes on issues including the extension of the law to cover dog attacks on other pet animals such as horses and cats. We also worked closely with the government to produce accompanying guidance for enforcers. We hope that the new measures will provide the necessary framework for preventative action, reducing both the number and the severity of dog related incidents.

Compulsory microchipping of dogs

In February 2013, the government announced measures to tackle irresponsible dog ownership, including the introduction of compulsory microchipping by 2016. Blue Cross has long campaigned for this and, as part of the Microchipping Alliance, we helped to raise the issue with politicians and build government support for the policy. We are offering free microchipping for dogs and cats at our hospitals and centres and in 2013 we microchipped more than 1,000 pets.

Online pet advertising

We are part of the Pet Advertising Advisory Group (PAAG), made up of welfare and veterinary organisations, Defra and the police. In September, the group launched its Minimum Standards for Online Classified Advertisements to improve the quality of online pet advertising and influence consumer behaviour to benefit animal welfare. The standards have been endorsed by Defra and have been adopted by several leading classified websites.

Raising our profile in the political arena

We attended all three main party political conferences, hosting an education focused event at each. We profiled our services to councillors and MPs, providing information on animal welfare, the law and responsible dog ownership. We were delighted to have a Home Office Minister give the keynote speech at the Liberal Democrat event, a shadow Defra Minister at the Labour event, and the Defra Minister for Animal Welfare at the Conservative event.

Pet bereavement

Our Pet Bereavement Support Service (PBSS) provides free and confidential emotional support for anyone dealing with the loss of a family pet, or working and assistance animals. In 2013 we took more than 3,200 calls – 24 per cent more than 2012 – and our 52 dedicated volunteers gave us 11,000 hours of their time to provide support by phone and email.

Our new information and advice about pet loss led to a 59 per cent increase in requests for the literature, and we also formed a successful partnership with the charity Guide Dogs to offer emotional support to guide dog users, their families and volunteers.

In 2013 we increased the number of calls answered thanks to a new menu system to filter out non-support related calls.

Income generation

We've been working hard to increase and diversify our income so that we can fund our ambitious plans to double the number of pets we help.

Legacies

An additional 1,800 supporters told us in 2013 that they have included a gift to Blue Cross in their Will – this brings the total number of pledgers to 13,564, an increase of 15.6 per cent. Our legacy growth over the last five years has been 2.5 per cent per annum, which compares favourably with the animal welfare sector overall.

Direct Marketing

Our regular giving supporters contributed over £4.5 million through direct debit and standing orders, with a further £1.1 million coming from individual gifts. By gift aiding their donations our supporters contributed nearly £900,000 in additional funds. We also ran four raffles and a prize draw which raised almost £750,000 and resulted in over 12,000 new supporters.

The Clothes Line

Towards the end of 2013, we launched The Clothes Line to give animal lovers a new and easy way to help Blue Cross. People can donate their high quality, branded and vintage clothing via our free courier service to sell in our charity shops.

We will be developing this new venture further in 2014.

New shops

Our strategy is to grow our shop portfolio to extend awareness of Blue Cross to new supporters, and to generate additional income by selling items donated by the public.

Our plan to open 50 shops is now well advanced, and we should achieve this milestone by the end of 2014. Last year we opened six charity shops, finishing the year with a portfolio of 42, and turnover increased by 27 per cent to £2.9m.

Sales in the first quarter of the year were affected by the adverse weather and fell 23 per cent behind budget, but performance over the rest of the year was strong with a significant proportion of the losses being recouped.

Established shops increased net income contribution by eight per cent on a like-for-like basis.

Trading income (all shop net contribution pre-central costs) increased by eight per cent to £560,000. Additional investment in new shops and central operating costs contributed to a net loss of £194,000.

Opening costs are written off over the first five years of a shop's life and 32 out of the 42 shops were within that five year window. We anticipate shops moving to contributing a net surplus in 2014, as the portfolio and development costs from earlier openings mature.

Working with Samsung

We teamed up with Samsung to launch a Help-A-Dog-A-Thon Facebook app during Crufts. Each time supporters rehomed and cared for a virtual dog using the app, Samsung pledged to give money to Blue Cross, which culminated in a £20,000 donation.

Charity of the year

Author James Bowen, who wrote the bestselling book **A Street Cat Named Bob**, chose Blue Cross as his charity of the year to say thanks for the help we gave his beloved cat when they were down on their luck. He raised £21,000.

Tea Party

Our Blue Cross Tea Party raised more than £40,000 and we received a record number of registrations.

Raising awareness

To help more pets, we need to be better known and supported. We saw a 35 per cent increase in visits to our website, including our highest ever number in October following widespread media coverage about nine rescue puppies named after characters from the television series Downton Abbey. This is just one example of the extensive positive media coverage Blue Cross received throughout 2013.

Our social media presence continued to see huge increases, with Twitter followers growing by 12,460 and Facebook by 68,867 likes. In May, we were ranked 32nd in the UK's top 100 most social brands by digital agency Headstream. We were the third highest ranking charity.



DODGER

Dodger was dumped outside Blue Cross, tied to our gate with twine and a makeshift collar. He had a nasty puncture wound on his leg and was whimpering with fear.

After we took care of his painful injury and gave him treatment for the fleas he was riddled with, the lovely lurcher soon felt much better. Despite his ordeal, he's a sweet natured, gentle dog and we have now found him a happy home where he's getting lots of cuddles.

Managing the organisation

Blue Cross is a values-driven organisation. Our values are:

Integrity

We act in an ethical, transparent and honourable way. We are proud and respectful of our charity and each other, and what we achieve for animal welfare. Our work is honest, authentic and trustworthy.

Dynamic

We are ambitious and optimistic, striving for success. We are a learning organisation, open to new ideas and curious about ways to improve; we are flexible and brave to meet the ever-changing needs of animal welfare. We keep a sense of fun in what we do.

Responsible

We are proud of our professionalism, and hold ourselves accountable for the work we do. We take a pragmatic and considered approach and make decisions in an informed, reliable and transparent way. We challenge ourselves to be realistic about what we can achieve.

Compassionate

We believe in showing respect and kindness and we aim to be supportive and caring in all that we do. We are tolerant of others, and show empathy, understanding and patience, balanced with the need to be professional and accountable.

Fair and reasonable

We aim to be consistent and treat everyone equally. We will be non-judgemental, showing others respect and understanding. We will treat situations that arise in a flexible and open-minded way. We will be realistic and have fair and appropriate systems of reward and recognition for our people.

Key Performance Indicators (KPIs)

Our KPIs measure how well we are achieving our objectives:

Managing our cost base

Cost per animal helped
£642 (2013) vs £758 (2012)

Raising awareness

Number of mentions on social media
151,168 (2013) vs 67,961 (2012)

Increasing our influence

Number of parliamentary questions
44 (2013) vs 20 (2012)

Volunteering

Our amazing volunteers gave us over 320,000 hours of their time – 22 per cent more than 2012, making it yet another record-breaking year. If we paid employees to cover these hours, using the appropriate salary scale for that type of work and the associated employer costs, it would cost us nearly £3m.

We currently have 2,600 registered volunteers who are responsible for 23 per cent of the hours worked at Blue Cross. Our new database, Connect For Pets, keeps our volunteers better updated on all key news.

We also held three events to give our volunteers a chance to meet each other and learn more about what is happening at Blue Cross, and we arranged volunteering development training for managers.

We developed some great new volunteer opportunities, including puppy training classes, and an online researcher role to help our Public Affairs Team investigate pet advertising on the internet.

Some facts about our volunteers:

- 81 per cent are female
- The average age is 43
- Average monthly hours per volunteer is 10

People and development

We are strongly committed to developing the skills of our employees and volunteers and to ensuring that we are well managed and efficient as an organisation.

The Blue Cross Way

The first group of employees on our people development programme The Blue Cross Way graduated with two distinctions and 10 merits awarded. The next programme is well underway for managers and there will be a flexible programme version in 2014. The aim is to give our people the training they need to ensure they have the right skills and tools to work as effectively as they can in helping pets.

Customer experience training

We carried out customer experience testing at our sites to get an insight into how customers view Blue Cross, and to identify areas where we can improve. Overall, we saw some fantastic examples of good customer experience and, as a result of the testing, we are creating information packs and organising training sessions in the first quarter of 2014 for all our people to help improve our performance even further.

Improved salary structures

We are delighted to have been accredited as a Living Wage Employer. This means that every Blue Cross employee earns at least the Living Wage, rather than national minimum wage rates which are considerably lower. We are the first, and currently only, pet charity to have achieved this status and we join other, high profile organisations like Oxfam, Amnesty International and UNICEF.

Culture survey

We carried out our second culture survey for employees and, for the first time, invited our volunteers to take part too.

We had a 49 per cent response rate for employees and 23 per cent for volunteers.



AGNES AND MARY

Tiny kitten Agnes was left in a box on the street along with her mum Mary during a freezing winter spell. Mary had given birth to five kittens just a day or two before, but four had already died from the cold by the time they were discovered and Agnes probably wouldn't have survived for much longer. They were rushed to Blue Cross just in time.

We kept them safe, warm and happy until Agnes was ready to stand on her own four paws and, when they were ready, we found them new homes.

PLANS FOR THE FUTURE

We are very excited about what the future holds for Blue Cross. We plan to be helping 100,000 pets a year by 2021 – more than double the number we do now – and we want to have the capacity to help a million pets over 10 years. This is how we plan to do it:

- Faster, better ways of working
- Developing partnerships to increase access to our services
- Improving facilities
- Better workflows
- Better use of technology

Our decision to invest heavily in our future involved a rigorous consultation, resulting in our SDDP. We thoroughly reviewed how and where we are providing services, and how we can improve and transition to where we want to be. We began seeing results of the SDDP in 2013 and here are just some of our plans for 2014 and beyond.

Suffolk site

We have found a potential new site for our rehoming centre in Suffolk to relocate the existing one in Felixstowe. We want to provide a better quality of service to local pets and people, and to double the number of animals we help in the area. Subject to planning permission, we hope to start building in 2014, with a planned spend of £3m, completing in 2015.

South east sites

We're also looking for two potential new sites in south east England to relocate our existing centres in Northiam and Kimpton, so that we can offer better facilities, improved access and help more pets. We're committed to providing animal welfare services in these areas and we are doing all the necessary research to ensure that we find the right locations, so that we can make our services as accessible as possible and benefit even more animals locally.

Improving existing centres

We are applying for planning permission to allow for a major £2m refurbishment at our Bromsgrove rehoming centre. We have already upgraded the cattery, and other parts of the site now need to follow. If our application is successful, we hope to begin work in 2014.

We are submitting a planning application for a refurbishment of our Burford rehoming centre, which is also in need of upgrading, as well as carrying out work to improve our Victoria animal hospital.

Better ways of working

We are finding better ways of working across all of our sites and services so that we can help as many pets as possible. We are improving the scope of services we provide and reviewing our operating hours and capacity. We want to be accessible – any time, any place, anywhere and by any means, to anyone who needs us.

New ventures

We are finding new ways to reach out to pets without the high costs associated with building or setting up our own centre, by working with other, like-minded organisations. Our Derby pet care clinic was our flagship venture and we hope that there will be other new arrangements like this in the future.

We've also been teaming up with animal care colleges across the UK to rehome cats. Students look after the pets in purpose built chalets at the colleges, provided by Blue Cross, and help to find them new homes. It means that the students get valuable hands-on experience, and unwanted cats in the area have the chance to find new homes.

**RANKED 32ND
IN 'SOCIAL BRANDS'
TOP 100**

FINANCIAL REVIEW

Principal sources of income

Our principal sources of income were as follows:

	£'000
Donations and gifts	8,124
Legacies received	14,329
Investment income	951
Income from Blue Cross shops	2,939
Other activities for generating funds	1,013
Income from charitable activities	2,137
Total income	29,493

After a record year for legacies in 2012, legacies received fell by £1.3million to £14.3 million. However, our legacy notifications have increased by 15.6 per cent.

Investment policy and performance

The value of the charity's investments has grown by £4.3 million (2012 - £2.9 million). The performance of the portfolio has been satisfactory in the general market conditions of 2013 and within the agreed risk profile.

The investment portfolio is managed externally by the charity's Investment Managers on a discretionary basis, subject to appropriate policies and limits established by the Trustees within the investment and treasury management policy.

The Investment Sub Committee meet with the Investment Managers on a quarterly basis to review investments and ensure that they are in accordance with the investment and treasury management policy. All investments must be held in accordance with Blue Cross's ethical investment policy. 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.

Accounting policies

The Trustees are responsible for selecting suitable accounting policies and applying them consistently. There have been no changes of accounting policies during the year.

Planned expenditure

In 2012, Blue Cross carried out a strategic review of how and where we deliver our services and formulated a long term capital investment plan to support our ambitious plans for the future. The planned capital expenditure for both Clinical and Rehoming Services is shown in Note 21 to the accounts.

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 reviewed this measure and decided that the minimum target ratio is 1.0. The Executive will provide justification for any material variation from this target and, where appropriate, take corrective action. At 31 December 2013, the organisation is operating at a ratio of 1.5 and therefore exceeds the target reserves policy.

PRINCIPAL RISKS AND UNCERTAINTIES

As with any charity that is dependent on voluntary income for its funding while providing buildings-based services with a high level of fixed cost, the principal risks and uncertainties for Blue Cross are centred on the continuity of the income stream. The income stream is the lifeblood that enables us to move closer to our vision of every pet enjoying a healthy life in a happy home.

Externally, the key risks relate to anything that might damage the reputation of Blue Cross leading to a loss of supporter confidence and thus reduced income.

Managing the reputation of Blue Cross is the responsibility of everyone associated with the organisation and we are investing in an ongoing programme of customer experience training, which has been developed following comprehensive research into how the various routes into the organisation are rated by our customers.

To mitigate the income risk the charity is diversifying its income streams to give greater resilience and reduce the reliance on traditional income sources. The opening of 40+ shops over the last few years is part of a long-term strategy to raise the profile of the organisation in more communities than have traditionally been reached by the rehoming centres and hospitals. Alongside raising our profile, the income received as the portfolio matures and set up costs are absorbed will reduce the reliance on legacy income which is by its nature less predictable. While the long term aim is to continue to grow legacy income it must become a smaller percentage of total income.

Internally there are two high level risks that have the potential to have a serious impact on the charity. Firstly there is the impact of any serious incident that results in the loss or cessation of sites and services. This risk is mitigated by good site and service design and sound management allied to good staff training and well developed operating procedures, which underpins the SDDP. The second risk is the impact of reduced motivation and morale of the workforce, both paid and volunteer. Over the last two years the charity has made a significant investment in training its people, with a number of initiatives such as our Culture and Values and our Blue Cross Way Programmes, aimed at giving us a motivated and valued workforce. The award of Living Wage accreditation in January 2014 is the latest example of the importance we place on ensuring that our people are recognised for their commitment to the cause.

GOVERNANCE AND MANAGEMENT

Governance

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.

Blue Cross is governed by a Board of Trustees, all of whom are Members of the charity. The Trustees meet a minimum of four times per year. The Articles of Association require a minimum of five Trustees and a maximum of 15. During the year the actual number of Trustees varied between 10 and 14, as shown on page 32.

New Members of the Board are co-opted by existing Trustees to maintain or augment the range of skills and experience appropriate to the needs and activities of the charity and subsequently proposed for election by the Members at the Annual General Meeting (AGM).

New Trustees are provided with appropriate Charity Commission guides, the Blue Cross Handbook, a copy of the Articles of Association, a full set of the charity's policies, the current strategic plan, the latest statutory accounts and an outline of their duties and responsibilities. New Trustees meet with the Chief Executive to undertake an induction process.

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

- Audit Committee (AUDIT)
- Commercial and Retail Committee (COMCO)
- Finance and Support Committee (FISCO)
- Remuneration Committee (REMCO)
- Service Delivery Committee (SEDCO)

The Investment Sub Committee (ISC) is a sub-committee of Trustees and Executives that reports direct to FISCO and meets four times a year.

Membership of these committees and sub-committee at 31 December 2013 is shown below:

Tom Corran:

COMCO, FISCO, ISC

Professor Anthony Forster

FHEA, FRSA, ACSS:

AUDIT (Chairman), SEDCO

Tim Hutton MRCVS:

AUDIT, SEDCO (Chairman)

Tim Porter FCA:

COMCO, FISCO (Chairman), ISC

(Chairman), REMCO (Chairman)

Andy Prebble:

COMCO (Chairman), FISCO, ISC, REMCO

The Hon Henrietta Roper-Curzon:

COMCO, FISCO

Neil C Smith MRCVS:

AUDIT, SEDCO

Stephen Swift:

COMCO, SEDCO (resigned 03/02/14)

Dr David Watt PhD FRICS:

AUDIT, FISCO

As Chairman of the Board of Trustees, Zair Berry is an ex-officio Member of all committees. All Trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 8 to the accounts.

Statement of responsibilities 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 required to prepare the annual report (incorporating the strategic report) and 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 and 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 going concern basis unless it is inappropriate to presume that Blue Cross will continue in operation

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

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

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

Risk and control framework

The system of internal control seeks to identify and prioritise the risks to Blue Cross's aims and objectives, to evaluate their likelihood of occurrence and potential impact, and to manage them efficiently and effectively. This identification and assessment of key risks is determined by reference to our corporate plans to ensure that our risk management processes are focussed on the areas of greatest impact and importance.

Responsibility for risk management lies with the Executive Team (ET). Through a structured approach, the ET regularly reviews our internal processes and controls to ensure that they are appropriate and give assurance that the organisation is being efficiently and effectively managed as it develops. This review is assisted by the work of our internal auditors and the comments made by our external auditors in their management letters and other reports. The results of these reviews and appropriate recommendations are regularly reported to and discussed by the Board and the Audit Committee.

Day to day management

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

Members of the ET at 31 December 2013 were as follows:

Chief Executive:

Kim Hamilton (resigned 16/01/14)

Stephen Swift (appointed 10/02/14)

Director of Service Delivery:

Kerstin Alford

Director of People and Development:

Rachel Briggs

Director of Finance and Resources:

Huw Davies

Director of Income Generation:

Mark Evans

Director of External Affairs:

Steve Goody

Director of Business Assurance:

Richard Hollands

Membership

On 31 December 2013 there were 57 Members of Blue Cross entitled to vote at the AGM. Admission to Membership requires approval of the Trustees.

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, or 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 will 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 19 May 2014 and are signed on their behalf by



Zair Berry
Chairman

INDEPENDENT AUDITOR'S REPORT

To the Trustees and Members of Blue Cross

We have audited the financial statements of Blue Cross for the year ended 31 December 2013 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustees and auditor

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.

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 regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report, incorporating the Strategic Report, for the financial year 31 December 2013 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Don Bawtree

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

Date: 19 May 2014

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).

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME & EXPENDITURE ACCOUNT)

FOR THE YEAR ENDED
31 DECEMBER 2013

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME & EXPENDITURE ACCOUNT)

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Unrestricted Funds £'000	Restricted Funds £'000	2013 Total £'000	2012 Total £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary Income					
Donations and gifts		7,775	349	8,124	8,438
Legacies received	1c	11,235	3,094	14,329	15,673
Activities for generating funds					
Raffle and sponsorship		552	33	585	628
Income from Blue Cross shops		2,939	–	2,939	2,317
Income from trading subsidiaries	6	428	–	428	415
Investment income	3	951	–	951	1,103
Incoming resources from charitable activities					
Clinical		1,146	48	1,194	1,409
Rehoming		821	46	867	934
Rehabilitation		76	–	76	62
Total incoming resources		25,923	3,570	29,493	30,979
Resources Expended					
Cost of generating funds					
Costs of generating voluntary income		5,951	–	5,951	6,060
Costs of Blue Cross shops		4,178	–	4,178	3,007
Investment management costs		135	–	135	111
Charitable activities					
Clinical		8,137	1,070	9,207	9,214
Rehoming		5,451	1,792	7,243	6,915
Rehabilitation		1,289	399	1,688	1,856
Raising awareness		2,094	–	2,094	3,055
Advice and support		858	–	858	907
Governance Costs		217	–	217	233
Total resources expended	7	28,310	3,261	31,571	31,358
Net (outgoing)/incoming resources before transfers					
		(2,387)	309	(2,078)	(379)
Transfers between funds	16	282	(282)	–	–
Net (outgoing)/incoming resources before other recognised gains and losses					
		(2,105)	27	(2,078)	(379)
Realised gains on investment assets		301	–	301	83
Net (expenditure)/income for the year		(1,804)	27	(1,777)	(296)
Unrealised gains on investment assets	11	2,530	–	2,530	2,511
Net movement in funds		726	27	753	2,215
Funds brought forward					
at 1 January 2013		62,988	2,081	65,069	62,854
Funds carried forward					
at 31 December 2013	15	63,714	2,108	65,822	65,069

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 16 to the financial statements.

The notes on pages 20 to 31 form part of these accounts.

BALANCE SHEET

FOR THE YEAR ENDED
31 DECEMBER 2013

Balance Sheet

For the year ended 31 December 2013

		The Group		The Charity	
	Note	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Fixed assets					
Tangible assets	10	18,166	18,235	18,144	18,208
Investments	11	31,530	27,240	31,530	27,240
		49,696	45,475	49,674	45,448
Current assets					
Stocks	12	147	124	126	114
Debtors	13	6,986	7,353	7,642	7,903
Short-term deposits		7,500	7,500	7,500	7,500
Cash at bank and in hand		3,860	6,832	3,297	6,402
		18,493	21,809	18,565	21,919
Liabilities					
Creditors: Amounts falling due within one year	14	(2,367)	(2,215)	(2,328)	(2,173)
Net current assets		16,126	19,594	16,237	19,746
Net assets	15	65,822	65,069	65,911	65,194
Restricted funds	16	2,108	2,081	2,108	2,081
Unrestricted funds	16	63,714	62,988	63,803	63,113
Total funds		65,822	65,069	65,911	65,194

Approved by the Trustees on 19 May 2014 and signed on their behalf by



Zair Berry FCA

Chairman
Board of Trustees



Tim Porter FCA

Chairman
Finance and Support Committee

Company Number 363197

The notes on pages 20 to 31 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED
31 DECEMBER 2013

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £'000	2012 £'000
Net cash (outflow) from operating activities	(1,260)	(344)
Investment income	951	1,103
Capital expenditure	(1,216)	(1,184)
Net movement in investment funds	(1,447)	(309)
(Decrease) in cash	(2,972)	(734)

Reconciliation of Operating deficit to net cash (outflow) from operating activities

Net (outgoing) resources for the year	(2,078)	(379)
Depreciation	1,273	1,076
(Increase) in stocks	(23)	(60)
Decrease in debtors	367	15
Increase in creditors	152	107
Investment income	(951)	(1,103)
Net cash (outflow) from operating activities	(1,260)	(344)

Analysis of cash flows for headings netted in the cash flow statement

Investment income

Investment income received & receivable	784	830
Interest received & receivable	167	273
	951	1,103

Capital expenditure

Purchase of tangible fixed assets	(1,216)	(1,184)
	(1,216)	(1,184)

Investment Funds

Purchase of investments	(5,890)	(3,493)
Sale of investments	4,443	3,184
Net movement on investment funds	(1,447)	(309)

	At 1 Jan 2013 £'000	Movement £'000	At 31 Dec 2013 £'000
Analysis of movements in net funds			
Net cash:			
Cash held by investment managers	1,012	(812)	200
Short term deposits	7,500	–	7,500
Cash in hand	5,820	(2,160)	3,660
	14,332	(2,972)	11,360

The notes on pages 20 to 31 form part of these accounts.

1 ACCOUNTING POLICIES

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

a Basis of Accounting

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005), applicable accounting standards, 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 note 6.

A separate statement of financial activities, or income and expenditure account, for the Charity itself is not presented because the Charity has taken advantage of the exemptions afforded by paragraph 397 of SORP 2005.

b Income

Specific policies for certain types of income are as follows:

- Donations and gifts are recognised on a cash received basis
- 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 cash received
- Income from Trading subsidiaries is represented by the commission receivable, excluding VAT on goods sold during the year. This includes sales from “Blue Cow”
- Investment income is accounted for when receivable
- Clinical, Rehoming and Rehabilitation income is accounted for when receivable
- The policy for legacy income is shown in note 1c below

c Legacies

Incoming resources are included gross in the Statement of Financial Activities (SOFA) 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 with virtual certainty. 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. 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.

Blue Cross is also entitled to receive income from approximately another 100 estates, 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.

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 buildings is not depreciated.

Freehold buildings – hospitals and administration	50 years
Freehold buildings – 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 mid-market value 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.

Irrecoverable VAT is included in relevant expense categories.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013
continued

1 ACCOUNTING POLICIES (CONTINUED)

i Expenditure (continued)

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

	2013 %	2012 %
Cost of generating funds	8.53	8.91
Service Delivery:		
Clinical	28.46	30.15
Rehoming	33.08	34.56
Rehabilitation	7.42	7.66
Raising awareness	3.76	3.18
Blue Cross shops	15.64	12.27
Advice and support	2.78	2.94
Governance Costs	0.33	0.33
	100.00	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.

2 NET OUTGOING RESOURCES FOR THE YEAR

	2013 £'000	2012 £'000
The net outgoing resources for the year is stated after charging:		
Depreciation	1,273	1,076
External auditor's remuneration:		
Audit	26	24
Other services	4	–
Operating Lease Rentals	1,167	955

3 INCOME FROM INVESTMENTS

	2013 £'000	2012 £'000
Investment income received & receivable	784	830
Interest received & receivable	167	273
	951	1,103

4 BLUE CROSS TRADING COMPANY LIMITED

Blue Cross Trading Company Limited 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 is run through an outlet in Stratford Upon Avon 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 in note 6.

5 BLUE CROSS (D&B) COMPANY LIMITED

The Charity has set up a wholly owned subsidiary incorporated in the UK, whose main activity is to undertake the design and building of the Charity's hospitals and 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. A summary of the trading results is shown in note 6.

6 SUBSIDIARY COMPANIES RESULTS

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

Profit and Loss Account	Blue Cross Trading Company Limited		Blue Cross (D&B) Company Limited	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Turnover	428	415	–	–
Cost of Sales	(249)	(384)	–	–
Operating profit	179	31	–	–
Administrative Expenses	(146)	(181)	–	–
Profit/(Loss) on ordinary activities	33	(150)	–	–
Tax on profit/(loss) on ordinary activities	3	(10)	–	–
Profit/(Loss) on ordinary activities after taxation	36	(160)	–	–
Gifted to Blue Cross	–	–	–	–
Retained (Loss)/profit brought forward	(125)	35	–	–
Retained (Loss) carried forward	(89)	(125)	–	–
Total assets	629	402	–	100
Total liabilities	(718)	(527)	–	(100)
Total funds	(89)	(125)	–	–

Total gross income for the parent entity during the year was £29,065,000 (2012 – £30,564,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013
continued

7 TOTAL RESOURCES EXPENDED

	Generating voluntary income £'000	Blue Cross Shops £'000	Clinical £'000	Rehoming £'000	Rehabilitation £'000	Raising Awareness £'000	Advice and support £'000	Governance £'000	Support costs £'000	Group 2013 Total £'000	Group 2012 Total £'000
Staff costs (note 8)	1,376	1,545	5,689	3,473	895	765	433	59	2,077	16,312	15,506
Other staff costs	36	22	108	56	19	25	7	29	268	570	571
Service delivery	–	–	1,431	982	238	–	–	–	–	2,651	2,730
PR and marketing	3,357	91	7	9	2	1,055	210	40	34	4,805	5,883
Trading costs	394	–	–	–	–	–	–	–	–	394	574
Appeal costs	336	–	–	–	–	–	–	–	–	336	268
Transportation costs	34	114	104	201	79	32	43	17	146	770	727
Administration	14	85	–	–	–	15	17	16	284	431	361
Grants	–	–	–	65	–	–	7	–	–	72	171
Property	1	1,289	317	676	73	6	–	–	232	2,594	2,190
Equipment and IT	21	52	177	126	10	9	1	5	494	895	818
Legal and professional	93	41	(40)	12	3	1	2	35	373	520	493
Depreciation	–	162	–	–	–	–	–	–	1,059	1,221	1,066
Total	5,662	3,401	7,793	5,600	1,319	1,908	720	201	4,967	31,571	31,358
Support costs reallocation	424	777	1,414	1,643	369	186	138	16	(4,967)	–	–
Total	6,086	4,178	9,207	7,243	1,688	2,094	858	217	–	31,571	31,358

8 STAFF COSTS

	2013 Group £'000	2012 Group £'000
Wages and salaries	14,081	13,298
Social security costs	1,271	1,233
Pension contributions	563	485
	15,915	15,016
Other staff costs	397	490
	16,312	15,506

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:

	2013 Group Average	Restated 2012 Group Average	2013 Group FTE	Restated 2012 Group FTE
Generating voluntary income	52	52	46	47
Raising awareness	21	18	20	17
Blue Cross shops	154	121	84	65
Clinical	215	234	153	159
Rehoming	211	210	178	182
Rehabilitation	55	56	40	40
Advice and support	18	19	15	15
Governance	3	3	2	2
	729	713	538	527

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

	2013 Group Number	2012 Group Number
£60,001 – £70,000	4	2
£70,001 – £80,000	3	5
£80,001 – £90,000	–	1
£90,001 – £100,000	2	–
£110,001 – £120,000	1	1

Contributions made in the year for the provision of money purchase pension schemes totalled £56,186 for these ten employees (2012 – £45,383 for nine employees).

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

Travelling and subsistence expenses were reimbursed to eight Trustees and amounted to £4,311 (2012 – 11 Trustees £5,580).

Trustee Indemnity Insurance was provided in the year at a total cost of £2,019 to the Charity (2012 – £2,216).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013
continued

9 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.

10 TANGIBLE FIXED ASSETS

Group

	Freehold Land & Buildings £'000	Leasehold improvement £'000	Equipment £'000	Motor Vehicles £'000	Computers £'000	Total £'000
Cost						
At 1 January 2013	26,586	823	669	94	610	28,782
Additions	619	241	178	–	178	1,216
Disposals	–	(27)	(171)	–	–	(198)
At 31 December 2013	27,205	1,037	676	94	788	29,800
Depreciation						
At 1 January 2013	9,543	225	499	94	186	10,547
Charge for the year	827	181	91	–	174	1,273
Disposals	–	(15)	(171)	–	–	(186)
At 31 December 2013	10,370	391	419	94	360	11,634
Net Book Value						
At 31 December 2013	16,835	646	257	–	428	18,166
Net Book Value						
At 31 December 2012	17,043	598	170	–	424	18,235

Charity

	Freehold Land & Buildings £'000	Leasehold improvement £'000	Equipment £'000	Motor Vehicles £'000	Computers £'000	Total £'000
Cost						
At 1 January 2013	26,586	823	627	94	610	28,740
Additions	619	241	153	–	178	1,191
Disposals	–	(27)	(171)	–	–	(198)
At 31 December 2013	27,205	1,037	609	94	788	29,733
Depreciation						
At 1 January 2013	9,543	225	484	94	186	10,532
Charge for the year	827	181	61	–	174	1,243
Disposals	–	(15)	(171)	–	–	(186)
At 31 December 2013	10,370	391	374	94	360	11,589
Net Book Value						
At 31 December 2013	16,835	646	235	–	428	18,144
Net Book Value						
At 31 December 2012	17,043	598	143	–	424	18,208

11 FIXED ASSET INVESTMENTS

	Group and Charity 2013 £'000	Group and Charity 2012 £'000
Market value at 1 January 2013	27,240	24,337
Disposals at brought forward market value	(4,130)	(3,101)
Acquisitions at cost	5,890	3,493
Unrealised gains on revaluation	2,530	2,511
Market value at 31 December 2013	31,530	27,240

The above investments consist of:

	UK	Non-UK	2013 £'000	2012 £'000
Fixed Interest securities	7,479	1,326	8,805	8,347
Other listed shares and securities	13,419	9,306	22,725	18,893
Investments in subsidiary undertakings	–	–	–	–
	20,898	10,632	31,530	27,240
Historical cost as at 31 December 2013			26,715	24,327

12 STOCKS

	Group 2013 £'000	Group 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Veterinary drugs for charitable purposes	126	114	126	114
Goods for resale	21	10	–	–
	147	124	126	114

13 DEBTORS

	Group 2013 £'000	Group 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Income Tax Recoverable	300	169	300	169
Trade debtors	16	28	6	–
Amounts owed by group undertakings	–	–	680	485
Legacy debtors	5,421	5,428	5,421	5,428
Other debtors	57	189	57	189
Prepayments and accrued income	1,092	1,419	1,078	1,412
Loan to Blue Cross (D&B) Co Ltd	–	–	–	100
Loan to The Irish Blue Cross	100	120	100	120
	6,986	7,353	7,642	7,903

At the balance sheet date a loan of £100,000 (2012 – £120,000) 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 17 is used to offset loan repayments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2013
continued

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2013 £'000	Group 2012 £'000	Charity 2013 £'000	Charity 2012 £'000
Trade creditors	1,001	1,185	984	1,161
Social security and other taxes	333	342	331	332
Other creditors	176	97	165	92
Accruals	857	591	848	588
	2,367	2,215	2,328	2,173

15 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted £'000	Unrestricted £'000	Total funds £'000
Tangible fixed assets	–	18,166	18,166
Investments	202	31,328	31,530
Net current assets	1,906	14,220	16,126
Net assets at the end of the year	2,108	63,714	65,822

16 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 use at the centres named below.

	At 1 January 2013 £000	Incoming resources £'000	Outgoing resources £'000	Gains and transfers £'000	At 31 December 2013 £'000
Restricted funds:					
With balances above £250k:					
Bromsgrove Adoption Centre	536	122	(25)	–	633
Burford	532	–	–	(332)	200
Burford (Or There's Ghillie)	500	222	–	50	772
Other Restricted Funds	513	3,226	(3,236)	–	503
Total restricted funds	2,081	3,570	(3,261)	(282)	2,108
Unrestricted funds	62,988	25,923	(28,310)	3,113	63,714
Total funds	65,069	29,493	(31,571)	2,831	65,822

17 RELATED PARTIES, SUBSIDIARY CHARITIES AND WELFARE ASSOCIATES

Related parties

The Irish Blue Cross

	2013 £'000	2012 £'000
Grant in the year	20	20

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

The following Trustees of The Irish Blue Cross are also Trustees or employees of Blue Cross:

- Kerstin Alford
- Zair Berry
- Kim Hamilton [Resigned 16/01/14](#)
- Neil C Smith

The Society for Companion Animal Studies (SCAS)

	2013 £'000	2012 £'000
Grant in the year	—	85

Subsidiary Charities

The following Charities are classified as subsidiary charities on the Charity Commission's Register and are included in the accounts. In accordance with the provisions of the Charities Acts regarding small charities, the Charity aims to utilise any small funds held by its Subsidiary Charities.

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

WELFARE ASSOCIATES

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

Charity name	Amount of grant
The Mayflower Sanctuary	£20,000
Pet Fostering Service Scotland (PFSS)	£25,000

CONNECTED CHARITY

Blue Cross is a member of Assisi Animal Charities Foundation which is a registered charity incorporated as a company limited by guarantee and not having a share capital. Blue Cross's liability as a member is restricted to £10. Assisi coordinates 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.

18 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 £563,254 (2012 – £484,602). All contributions were paid in the year.

19 LEGACIES

At the year-end the charity was aware that it was a beneficiary of an estimated 274 (2012 – 299) 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 £5.4m (2012 – £5.2m).

20 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.

21 COMMITMENTS

Details of commitments at the accounting date are as follows:

	2013 £'000	2012 £'000
Contracted for but not provided for:		
Bromsgrove Cattery Project	–	32
Rolleston Minor Works	–	6
Suffolk Project	–	6
Victoria Autoclaves	94	–
Hammersmith Works	17	–
Finance Systems	250	–
IT Infrastructure Projects	–	17
	361	61

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

	2013 £'000	2012 £'000
Expenditure planned over next 5 years but not contracted for:		
Clinical	10,887	9,410
Rehoming	18,900	18,563
Blue Cross Shops	140	130
Infrastructure	2,563	2,558
Total Planned Expenditure	32,490	30,661

22 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 at 31 December 2013 is £599,166 (2012 – £453,301).

23 OTHER FINANCIAL COMMITMENTS

At 31 December 2013 Blue Cross was committed to making the following payments under operating leases in the year to 31 December 2014:

	2013 £'000	2012 £'000
Operating leases which expire:		
Within 1 year	27	60
Within 2 to 5 years	474	384
More than 5 years	653	629
	1,154	1,073

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED
31 DECEMBER 2013

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

Patron

His Grace the Duke of Westminster

KG CB CVO OBE TD CD DL

Honorary Members

The Rt Hon Earl Cadogan

DL

Dr Andrew Edney

MRCVS

The Lord Kirkham

CVO

The Lord Sheppard of Didgemere

KCVO Kt

WJB Sneath

Sir John Spurling

KCVO OBE

RT Vyner

CBE

Ambassador

A Langton

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:

Zair Berry

FCA (Chairman)

The Hon Henrietta Roper-Curzon

(Vice Chairman as of 12/12/13)

Tom Corran

Professor Anthony Forster

FHEA FRSA AcSS

(appointed 27/06/13)

Roger Green

MRCVS (retired 27/06/13)

Tim Hutton

MRCVS

Julie Hyde

RGN MA (died 19/07/13)

Tim Porter

FCA

Andrew Prebble

Mervyn Reed

FCA (retired 27/06/13)

Adrian Rowbotham

(retired 27/06/13)

Neil C Smith

MRCVS

Stephen Swift

(resigned 03/02/14)

Dr David Watt

PhD FRICS

Chief Executive Officer

Kim Hamilton MSc

(resigned 16/01/14)

Interim Chief Executive Officer

Stephen Swift

(appointed 10/02/14)

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Solicitors

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50 Broadway

Westminster

London

SW1H 0BL

Wilson Solicitors LLP

Alexandra House

St Johns Street

Salisbury

SP1 2SB

External auditors

BDO LLP

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Beehive Ring Road

Gatwick

West Sussex

RH6 0PA

Internal auditors

Sayer Vincent

8 Angel Gate

326 City Road

London

EC1V 2SJ

Investment managers

Rathbones Investment Management

Limited

1 Curzon Street

London

W1J 5FB

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WE HAVE FIVE PET CARE CLINICS AND 15 PET FOSTERING LOCATIONS ACROSS THE UK, AS WELL AS 42 CHARITY SHOPS SELLING GOODS TO RAISE MONEY FOR THE PETS IN OUR CARE. FIND YOUR NEAREST ONE AT WWW.BLUECROSS.ORG.UK OR CALL OUR SUPPORTER CARE TEAM ON 0300 790 9903.

BLUE CROSS ANIMAL HOSPITALS

- 1 VICTORIA
- 2 HAMMERSMITH
- 3 MERTON
- 4 GRIMSBY

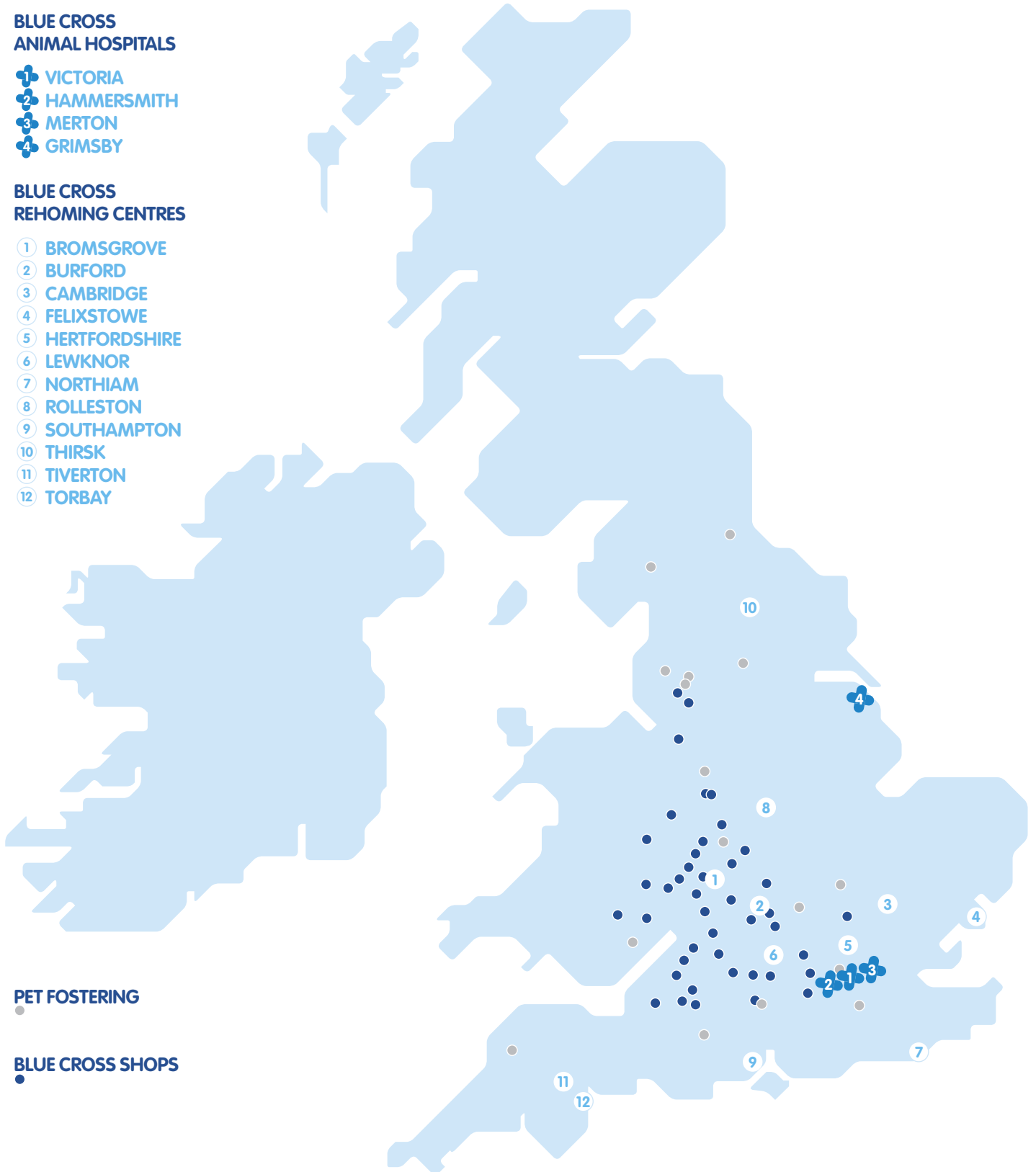
BLUE CROSS REHOMING CENTRES

- 1 BROMSGROVE
- 2 BURFORD
- 3 CAMBRIDGE
- 4 FELIXSTOWE
- 5 HERTFORDSHIRE
- 6 LEWKNO
- 7 NORTHIAM
- 8 ROLLESTON
- 9 SOUTHAMPTON
- 10 THIRSK
- 11 TIVERTON
- 12 TORBAY

PET FOSTERING



BLUE CROSS SHOPS





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Blue Cross is a charity registered
in England and Wales (224392)
and in Scotland (SC040154).