



Annual Report  
& Accounts  
2013

# What we do

PDSA is the UK's leading veterinary charity.  
We fight poverty in a special way.



# We never turn away a sick or injured pet

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In 2013 we treated

# 392,000

pets and provided

# 2.26 million

free PetAid hospital treatments

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We receive no Central Government funding for our work.

We currently restrict our activities to the UK. Our free PetAid services are offered primarily to pet owners who are in receipt of either Housing Benefit or Council Tax Benefit.

# 100%

of eligible households in the UK are covered by our services through:

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# 43

PetAid hospitals

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# 8

PetAid branches

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# 388

PetAid practices

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PetAid special requests

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## Our mission is:

To care for the pets of people in need by providing free veterinary services to their sick and injured animals and promoting responsible pet ownership.



# PDSA at a glance

## Achieving our vision and mission

### Highlights of the year

- Raising a new record income of £96.6 million.
- Issuing the third annual *PDSA Animal Wellbeing (PAWV) Report*; the largest survey into the state of our nation's pets, with record media coverage.
- Opening of a new replacement PetAid hospital in Cardiff, The Marian and Christina Ionescu Centre.
- Expanding our leadership development and new talent management programmes as well as introducing our new graduate programme and welcoming 11 recent graduates to PDSA.



## Our long-term priorities

- Maintenance of existing PDSA PetAid services on a stable, sustainable and long-term basis.
- Expansion of PetAid services in line with a clear and controlled Business Plan as widely as funds and circumstances permit.
- Encouragement of funding, by raising awareness and developing an understanding of our work.
- Delivery of pet health initiatives.

## Our 10 strategic goals

### PetAid services

1. Maintain existing PetAid services on a stable, sustainable and long-term basis. Increase the capacity of PetAid services in our existing locations in order to satisfy client-driven demand and improve client satisfaction.
2. Expand PetAid services to increase the number of sick and injured animals seen and increase the coverage of UK eligible households that have access to a direct PetAid service, as widely as funds and circumstances permit.
3. Optimise the use of veterinary resources and effectively manage the cost of providing the service.
4. Become the recognised leader in promoting pet health.

### Income

5. Provide sustainable income to meet PetAid service demands within benchmarked fundraising and trading ratios.
6. Continue to invest to support the growth of the future legacy pipeline.

7. Deliver a greater diversity of income sources and increase non-legacy income, with greater reliance upon our core competencies and strengths.

### Awareness

8. Increase awareness of PDSA and its work across the UK population.

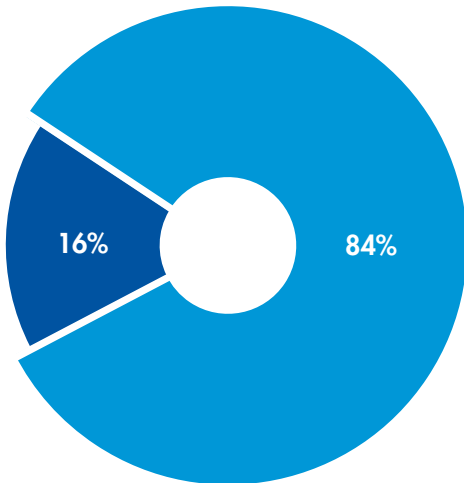
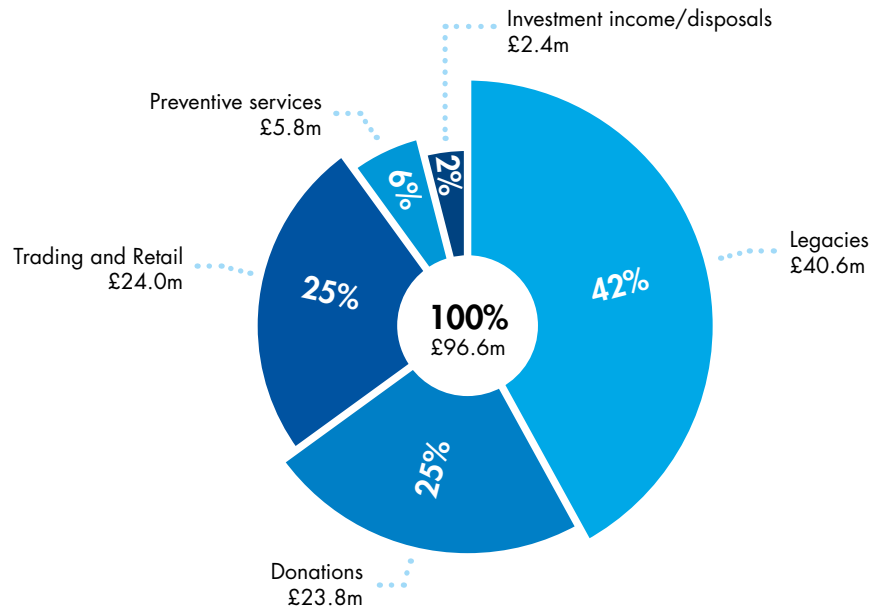
### Shared services

9. Develop and implement strategies that enable PDSA staff and volunteers to fulfil their potential and engage and motivate them in the delivery of the Business Plan.
10. Protect, support and develop the infrastructure of PDSA and improve business efficiency, while managing strategic and operational risks.

# Income and expenditure

## Income comes from a wide range of sources

Voluntary income (donations and legacies) is PDSA's most important income source – 67% of total income. It is PDSA's long-term aim to reduce reliance on this area by increasing sales from emerging income streams – both trading activities and veterinary activities.

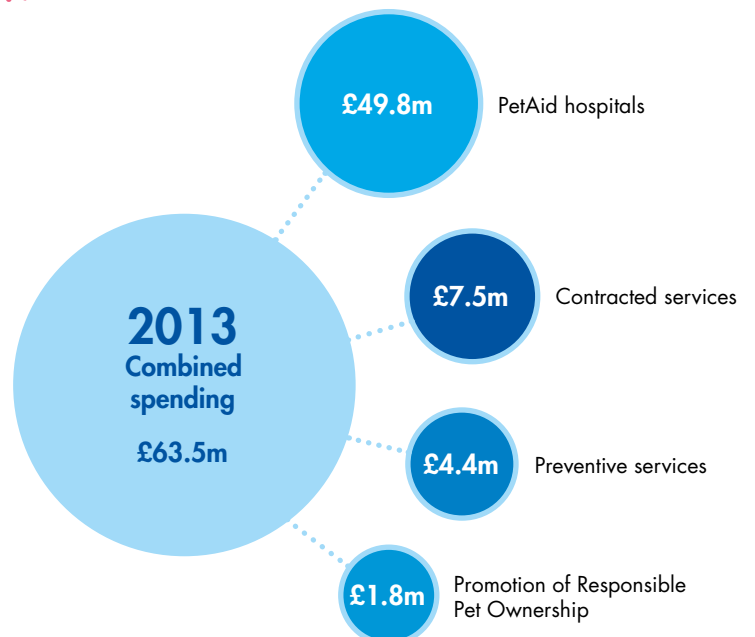


## 84% of your donations were available for our mission ...

Raising voluntary income is not without cost – but PDSA works hard to keep costs low. The cost was 16p per £, compared to 17p last year.

## Spending on our mission

Spending on our mission reduced slightly by £0.6 million (0.9%) to £63.5 million in 2013, reflecting a small reduction in the number of pets treated and cost savings. Some PetAid services are contracted to local private veterinary practices in order to increase the reach of our work in a cost-efficient way. Promotion of responsible pet ownership and preventive services are growing areas of importance as PDSA increases its status as the recognised leader in promoting pet health.



# Where PDSA is now

## Chairman's letter

The *PAW Report* has shown us the scale of the problem... will you help us?

I'm pleased to report that 2013 was a year of continued progress for PDSA with important new initiatives being launched or progressed. These include:

- Investing in our core service by opening a new replacement PetAid hospital in Cardiff, The Marian and Christina Ionescu Centre.
- Acquiring land for a replacement PetAid hospital in Manchester and making significant progress towards purchasing a site for a replacement PetAid hospital in Birmingham.
- Investing through a new veterinary team structure to optimise and secure our services for the future.
- Investing in our staff through vibrant leadership, talent and graduate development programmes.
- Investing in new technology through a substantial upgrade to our communications and systems infrastructure.

All this was undertaken against the background of a challenging financial environment. Despite this we were able to maintain our level of service treating 392,000 pets, providing 2.26 million free PetAid hospital treatments and spending £63.5 million to provide our services to those communities in most need of support.

In December we published the third *PDSA Animal Wellbeing (PAW) Report* –

produced in conjunction with YouGov – from which we learned more about the health and welfare of the nation's pets. Despite the fact that the Animal Welfare Act has been with us for seven years, the Report reveals a surprising lack of awareness on the part of the public of the five animal welfare needs. It is indeed a cause of concern that 8.3 million pet-owning households are not familiar with the basic requirements that pets need in order to be healthy and happy.

With these findings in mind, we launched PDSA's Big Pet Check – a fun digital tool

designed to give pet owners a real insight into their pets' welfare needs and most importantly raise awareness of what those needs actually are.

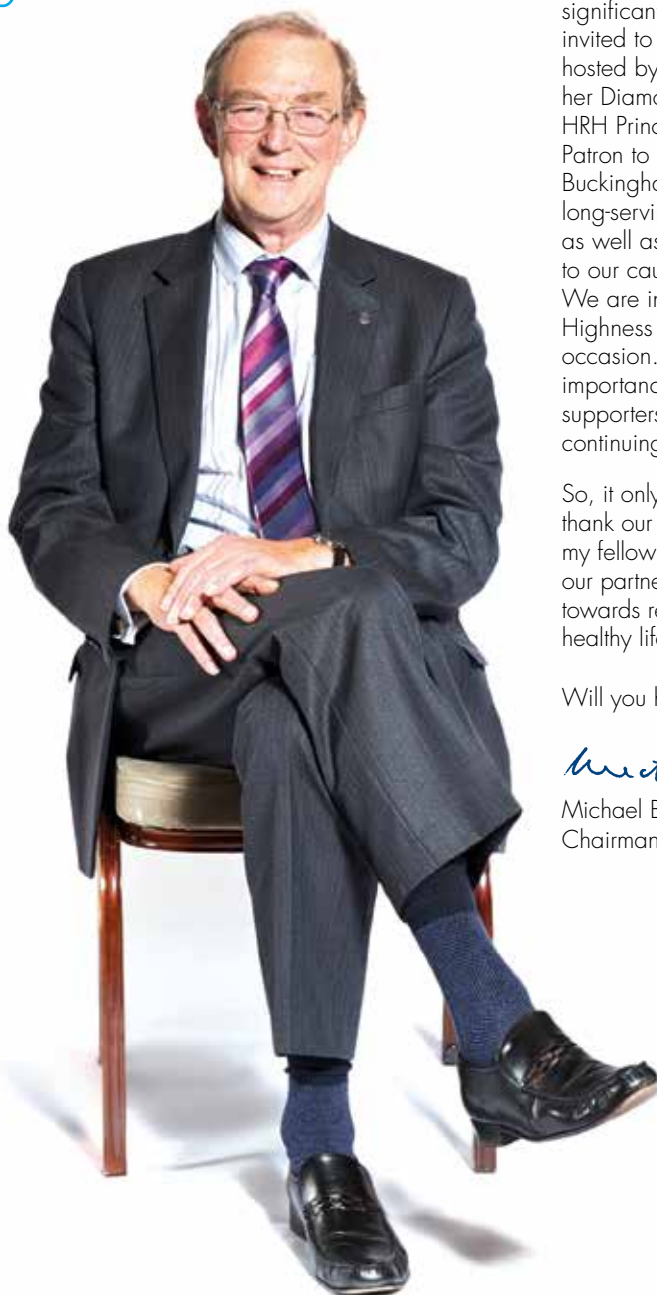
The *PAW Report* has shown us the scale of the problem and this has prompted us to launch two new Pet Wellbeing programmes, with a focus on 'preventing the preventable' through the microchipping of dogs and the neutering of cats. These national initiatives will be funded by support from major donors.

During the year we were honoured to be one of a small number of charities, with significant engagement in volunteering, invited to St James's Palace for a reception hosted by Her Majesty the Queen to mark her Diamond Jubilee. We also celebrated HRH Princess Alexandra's forty years as Patron to PDSA with a reception held at Buckingham Palace. This was attended by long-serving members of staff, volunteers, as well as supporters who have donated to our cause so generously over the years. We are indeed grateful to Her Royal Highness for enabling this memorable occasion. Both events underline the importance of our staff, volunteers and supporters who are the bedrock of our continuing success.

So, it only remains for me once again to thank our dedicated staff and volunteers, my fellow Trustees, generous donors and our partners for helping us to move further towards realising PDSA's mission of 'a healthy life for all our pets'.

Will you help us?

Michael Bolton  
Chairman



# Our strategic goals

## Meeting our goals



Cardiff PetAid hospital, The Marian and Christina Ionescu Centre

### Maintaining PDSA PetAid services

#### Replacement of existing PetAid hospitals

Our programme of replacing existing PetAid hospitals is necessary to ensure that they remain fit for purpose. In 2013 this continued with the construction and opening of the replacement Cardiff PetAid hospital, The Marian and Christina Ionescu Centre.

We aim to begin the construction of a replacement Birmingham PetAid hospital and intend to open this much-needed facility to the public in early 2015. Land has been secured in the northwest of England to replace and relocate our service provision in the Manchester area. Construction should take place in 2015.

#### Partnership

Our partnership with the private veterinary practice, the Best Friends Group, continues at Northampton PetAid hospital.

### Expanding PDSA PetAid services

#### Numbers of animals treated

We treated 392,000 sick and injured animals through PetAid hospitals and branches, Partnership arrangements, PetAid practices and PetAid Special Requests. This represents a 2.9% decrease on 2012 and is due to PDSA's change in eligibility criteria. The full impact of this change has now taken effect on the animal population covered by the service and it is anticipated that we will see a low level of growth over 2014.

#### PetAid branch opportunities

We will continue to investigate PetAid branch opportunities to support our PetAid hospital operations strategically in locations where a branch could, cost-effectively, help expand service availability. In this regard we intend to expand our services further in Kent during 2014.

### Additional PetAid practices

We are committed to the PetAid practice service as this provides important access to customers who do not live near to a PetAid hospital or branch. During the year, practice services were launched in one new location as well as service extensions in two further areas. Collectively the new services extend our coverage to include an additional 2,572 eligible households. In 2014 we will look to expand our services further in partnership with private veterinary practices.

### Coverage of eligible households

New service launches take the number of PetAid practice locations to 192 with 388 contracted PetAid practices. Coverage of PDSA eligible households by the PetAid practice service is 19.48% and combined with the PetAid hospital service is 78.32%. Households with neither PetAid practice nor PetAid hospital service have access to PetAid Special Requests and this achieves 100% coverage of eligible households throughout the UK.

“ We opened the replacement Cardiff PetAid hospital, The Marian and Christina Ionescu Centre. ”

# Meeting our goals



Community & Education Veterinary Nurse Amy Henson alongside a new PetCheck vehicle, kindly donated by Robert Breckman in memory of his wife Julie

Services are delivered in a range of different ways to ensure effective use of our financial resources.

## Optimising use of Veterinary Resources

We spent nearly £63.5 million on delivering much-needed pet care treatment, education and information to disadvantaged communities across the UK. These services are delivered in a range of different ways to ensure effective use of our financial resources.

The implementation of the digital telephone system allowed PetAid hospitals to improve customer service and increasing client consultation time to ten minutes allowed more time to discuss with owners both treatment options and ways to prevent illness for their pets.

Effective tendering processes, notably for pharmaceuticals, out-of-hours services and laboratory services, mitigated the effects of cost inflation in these areas. The five-year

rollout of digital x-ray processors, which saves clinical time, provides welfare benefits for pets as well as reducing consumables costs, was concluded.

The Central Dispensary carried out approximately 40,000 product dispenses that previously would have been carried out in PetAid hospitals, allowing better use of resources and staff and providing an improved customer service level.

In 2013 we progressed work to replace our ageing computerised clinical records system, PremVet, with a modern Windows-based platform, Jupiter 'VetSpace', that will provide an efficient and future-proof solution.

## Promoting pet health

### Preventive services

Preventive services income continues to grow and total sales increased by 8.3%



to £5.8 million with 114,000 preventive procedures performed and 329,000 preventive products sold. We continue to promote preventive services as part of our responsible pet ownership message and in 2014 aim to increase preventive sales to £6.3 million, helping eligible owners to keep their pets healthy.

Collaboration with Dogs Trust and Cats Protection separately resulted in more than 7,160 bitch spays and dog castrations and more than 17,350 cats being neutered, to a combined value of £614,000.

## Pet health

In 2013 we produced our third *PDSA Animal Wellbeing (PAWV) Report* in conjunction with YouGov. We revisited many of the findings from 2011 and found that the wellbeing of pets in the UK is not improving and awareness of the Animal Welfare Act and the five welfare needs within it is at an all-time low – with a shocking 8.3 million pet-owning households not familiar with the five basic things that pets need to be healthy and happy. PR coverage during the first month after launch secured over 70 million ‘opportunities to see’ coverage and campaigns such as Pet Fit Club, Behaviour and Preventive stories based on the findings of the Report continue to secure quality coverage throughout the year.

Alongside the launch of the *PAWV Report* in 2013, PDSA also unveiled PDSA’s Big Pet Check – a fun digital tool designed to highlight the findings of the *PAWV Report* and give owners an insight into their pet’s five welfare needs. In the first month the new microsite [www.abetterlifeformypets.org.uk](http://www.abetterlifeformypets.org.uk) had over 35,000 visits with more than 34,000 people taking part in the quiz and more than 3,300 people downloading the *PAWV Report*. In 2014 we will continue to utilise these resources and use the findings from the Report to raise awareness of the biggest welfare issues as well as work to improve pet wellbeing.

The PetCheck programme, kindly sponsored by Julie and Robert Breckman in 2002, completed nearly 6,000 free pet health checks in 2013 and the Community & Education team of Veterinary Nurses

delivered animal welfare workshops to more than 50,000 schoolchildren. Two replacement PetCheck vehicles were generously funded by Robert Breckman in memory of his wife Julie and were launched at an event in Hyde Park in October.

During 2014 the Community Engagement programme will be focused on those areas most in need of support to improve animal wellbeing, with the Community & Education Veterinary Nurses providing free health checks, schools workshops and community events in specific areas and revisiting six months later to measure the impact of our work in those areas.

In 2014 we will also be launching a new fully funded pet wellbeing programme to be piloted in four of our PetAid hospitals with dedicated veterinary nurses providing checks, advice, microchips and action plans for dog owners. This initiative will help reduce levels of preventable conditions among our pet patients.

## Income

### Marketing income

2013 was an excellent year for major gifts income thanks to the generosity of a number of donors, particularly in support of

In 2014 we will be launching a fully funded pet wellbeing programme.

our capital projects such as our new PetAid hospitals in Cardiff and Birmingham.

2014 is forecast to see a significant year-on-year increase across the Marketing and Fundraising area. In order to achieve this there will be a number of focal areas. Strategies have been devised to aid the generation of large gifts to support further PetAid hospital development. New and existing income streams will be developed alongside a review of marketing strategy in all areas, from products and propositions through to marketing channels. All of this is underpinned by improved communication to develop and maximise income by offering relevant propositions to existing and potential supporters throughout their lives.

### Client contributions

Clients are asked to make a voluntary contribution for their pet’s treatment. These contributions are an invaluable source of income, increasing by 2.3% year-on-year to £8.5 million in 2013. The average amount contributed per pet increased by 5.2%.



# Meeting our goals

Legacy income continues to be the largest source of income...

We continued to open new stores throughout 2013. However, due to store closures, our total trading store numbers reduced by one. In 2014 we plan to open seven new stores and careful consideration will be given to ensure that the locations selected give the best return on investment.

To support sales we will be seeking stock procurement alternatives, as the street collections have become very competitive and there will be additional marketing activity in stores to improve our customer experience.

## Legacy income

Legacy income continues to be the largest single source of income for the charity. Growth in income over the last five years has been difficult against a backdrop of static property and investment markets that are the principal contributors for legacy income. Given improvements in these markets in 2013, PDSA achieved an income of £40.6 million, a 4% increase year-on-year.

## Awareness

### Awareness and media coverage

In 2013 a diverse range of Public Relations projects and campaigns including the *PAW Report*, the Big Pet Check, Pet Fit Club and Animal Bravery Awards, all delivered a record year of coverage and engagement opportunities across the key media channels of TV, national and local press, and radio and social media.

PDSA's social media presence continues to see excellent growth and this, alongside

## Commercial veterinary income

In addition to supplying medication to PDSA clients, the Central Dispensary continued supplying medication to Dogs Trust clients who are caring for foster dogs with chronic conditions. This has provided a valuable income stream worth £263,000. Similar provision to carers of Guide Dogs was initiated in 2013 and income growth through the Central Dispensary is planned in 2014.

PDSA launched its first online trading platform dedicated to pet care and pet accessories in September 2013. The platform has, to date, only been marketed to PetAid hospital clients while processes and procedures underpinning the concept are tested.

Income generated through the newly established out-of-hours service operating from the Basildon PetAid hospital, The Coco Markus Centre, through PDSA PetAid Enterprises Limited for PDSA clients grew to £83,000 in 2013, helping to contribute towards the running cost of the charitable service.

## Retail

Retail performance in 2013 remained consistent with 2012. Trading conditions were difficult but donated goods stock levels recovered and stores battled to stop the decline in customer transactions driven by lower footfall on the High Street.

## Trading

The focus in this area has been to continue to optimise our existing products and channels while developing and trialling new opportunities. Significant progress was made in 2013 to reduce our retail stockholding and 2014 will see a review of our product portfolio as well as trials of new products to enhance our future retail offer. We have continued to see sales growth through our eBay and Amazon online shops and have exciting plans to develop our online products with the development of a new digital strategy and platform in 2014.



Senior Veterinary Surgeons Sean Wensley and Paul Manktelow helped to promote our pet health messages



Ruby lost one-third of her body weight and was named the UK's pet slimming champion of 2013

further increasing coverage across traditional media platforms, will remain a key focus in 2014 to help further the charity's work in improving pet wellbeing across the UK.

## Shared services

### Financial management

PDSA purchased and successfully implemented financial planning and analysis software, which has meant a reduction in the time and resource required to produce quarterly financial forecasts and annual budgets; it has also improved the efficiency of routine financial reporting. During 2014 the use of the software will be extended into operational areas, which will also mean the ability for management to be able to have an integrated single source for all financial and operational data.

### Resources

PDSA's leadership development programme continued in 2013 as part of our ongoing cultural change agenda. Activity to restructure PDSA's veterinary management team began. The new structure will ensure PDSA is able to respond to the current and future challenges in delivering a cost-effective charitable service, while optimising opportunities for income growth.

### Information systems

In 2013 we continued a significant and necessary investment programme to upgrade PDSA's systems infrastructure. By the end of 2014 all our sites will have digital telephony and more powerful communication lines. Data storage is being rationalised and replaced with greater security through system servers being located in offsite third-party data centres.

A new clinical system has been acquired and will be implemented in all PetAid hospitals and branches during 2014.

“  
A record year of media coverage.  
”

# About PDSA

## Structure and governance

### Governing documents and registration

The charity is incorporated under The People's Dispensary for Sick Animals Acts 1949 and 1956. Its constitution comprises the detailed clauses of these two Acts of Parliament plus supplementary Byelaws, which have been subsequently revised by the governing body. The charity is registered with both the Charity Commission in England and the Office of the Scottish Charity Regulator.

### Governing body – Council

The Trustees form the governing body of the charity, known collectively as 'Council', and are legally responsible for the overall management and control of PDSA. Council sets the strategic direction of PDSA, shapes policies and approves major expenditure programmes but delegates certain decisions to subcommittees. The total number of Trustees is currently 12 and they are listed below.

### Committees

The committees that met regularly during 2013 were: Finance & Investment Committee, which reviews the Fund Manager's performance, the budget and most other financial matters; Special Purposes Committee [see details of members on page 36], which approves legal agreements; and Audit Committee, which considers risk and internal and external audit matters. The Audit Committee also reviews PDSA's health and safety management and, at a strategic level, all aspects of our clinical governance framework, thereby giving a holistic view as to the quality assurance of PDSA's veterinary service.

### Trustee recruitment and training

Trustees are appointed by Council and all Trustee recruitment is subject to a rigorous and transparent process. Qualifications for trusteeship include a commitment to animal welfare plus specialist expertise or knowledge considered to be of benefit to

PDSA. It is Council's policy for the governing body to consist of ten to twelve Trustees. However, Council may plan to increase this number to take account of planned retirements while maintaining an appropriate range of skills and expertise. Trustees normally serve three four-year terms which may be extended at the request of Council.

New Trustees are familiarised with the workings of PDSA, Council Policies & Procedures and Governance, through a comprehensive induction programme consisting of visits to Head Office, PetAid hospitals and PDSA retail stores, together with in-depth meetings with directors and key members of staff. Ongoing training and support are provided. Trustees also follow a formal programme of visits to PetAid hospitals and stores, ensuring good coverage of all PDSA locations. Seminars and lectures provided by specialist third parties are attended as appropriate, covering subjects such as charity law and governance, pension law and administration, and investment practice.

## Our Council members

### Chairman

**Mr Michael Bolton,**  
FCA\*

### Deputy Chairman

**Brigadier (Ret'd) Andrew Warde,**  
CBE, BVetMed, MSc, MRCVS#

### Trustees

**Mr Richard Clowes,**  
BSc MI Mech E\*

**Mr Mike Dernie,**  
BA, FRSA resigned 20 June 2013

**Ms Catherine Dixon,**  
LLB (Hons), MBA, Solicitor#

**Mr Gary Ennis,**  
BSc\*

**Mr Noel Guilford,**  
BA, FCA\*#

**Mr Roger Hills\***

**Ms Laurie Mayers,**  
BA, MA\*

**Mr John Miller,**  
BSc, MCIPD, AFBPsS

**Mr John Murphy**

**Mr Mike Radford,**  
OBE, LLB#

**Mr John Smith,**  
FCA elected 20 June 2013

\* Member of the Finance and Investment Committee # Member of the Audit Committee

## Executive management

Council delegates policy implementation to the Director General. The Director General manages PDSA through the Senior Management Team based at Head Office in Telford; most day-to-day management takes place at a local level.

## Group structure

PDSA undertakes charitable service delivery and fundraising. Trading activities are carried out through three wholly owned subsidiary companies: PDSA Trading Limited, PDSA PetAid Enterprises Limited and PDSA Property Services Limited.

## Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England, Wales and Scotland requires the Trustees to prepare financial statements for each

financial year, which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Statement of Recommended Practice (SORP), Accounting and Reporting by Charities published in 2005 and with applicable UK accounting standards.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of The People's Dispensary for Sick Animals Acts 1949 and 1956. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



Finance & Investment Committee met regularly during 2013.

“ Council sets the strategic direction ... delegates decisions to subcommittees ... and policy implementation to the Director General. ”

# Structure and governance



Her Royal Highness Princess Alexandra celebrated 40 years as Patron of PDSA and is pictured here with PDSA Chairman Michael Bolton at a celebration of the milestone at Buckingham Palace

## Risk

Risk management processes have been established to achieve the mitigation of risks that would prevent PDSA from fulfilling its strategic goals and also to manage risk within projects. Particularly, the Trustees seek to ensure that:

- Risks are identified, assessed and controls established to mitigate them.
- The risk exposure profile is acceptable at all levels.
- The risk management process is embedded in operational and management procedures.

The Audit Committee, assisted by the Senior Management Team and Internal Audit department, considers risk in detail. A formal review of the charity's risk management processes is undertaken annually.

Council considers its key risk factors to be those identified in the reserves policy:

- **Legacy income** – this represents approximately 42% of PDSA's total income and there is a risk that reductions in this income source could materially affect PDSA's financial position.
- **Investment portfolio** – this represents the majority of free reserves and can be subject to volatility from time to time.
- **Unique animals** – demand for PDSA's services can fluctuate over short periods of time that can result in significant cost increases.
- **Service infrastructure** – PDSA is a large and complex service operation over a wide geographical area. Risk factors include cost increases due to service growth and inflation, the PetAid

hospital replacement programme and the national distribution of services. Service provision would need a long turnaround period in order to downsize operations should financial constraints require and this needs to be reflected in the level of free reserves.

Council is satisfied that the major risks identified have been mitigated. However, it recognises that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

# People



PDSA is only able to deliver its service due to its support from all staff and volunteers. PDSA aims to recruit and retain high-calibre, dedicated people, engaging and enabling them to fulfil their potential to improve organisational performance.

Staff engagement is a core responsibility. PDSA values its long-standing Staff Consultation and Communication (SCC) Groups. These arrangements enable PDSA to consult staff and involve them in its work. Activities and action plans to overcome concerns raised in the last staff survey have continued. Communications focus groups were held to explore and better understand the survey feedback, and action was taken to continually improve communication and staff engagement. A further survey is planned for 2014.

PDSA's internal communications activity seeks to 'Inform, Involve and Inspire' staff and volunteers through its quarterly magazine, PDSA News; weekly updates such as Veterinary Bulletin and Retail News; an intranet, Pawtal; and team briefing system, TeamTalk. Communicating PDSA's vision, mission and Business Plan, together with annual Performance and Development Reviews, has assisted staff in understanding the role that they can play in the delivery of PDSA's Business Plan.

Transforming leadership at PDSA is a key strategic initiative. The internal leadership programme has continued with great success: new leaders joined the programme while existing leaders consolidated their learning and focused on their personal leadership development following 360 degree feedback. The programme was recognised and shortlisted for a prestigious 'Peer Award' in the People and Performance category. PDSA's leadership journey continues with more development planned for 2014 and future years.

An important achievement this year has been the development of PDSA's talent management programme. In September PDSA welcomed 11 graduates to the organisation: 7 in Veterinary and 2 each in Human Resources and Marketing. The demand for places on PDSA's new graduate programme was significant and the calibre

of applicants was high. Furthermore, an extensive programme aimed at developing PDSA future leaders was introduced to enhance the knowledge and skills of 12 staff assessed as having high potential. PDSA also introduced apprenticeship programmes for its Veterinary Nurses and Veterinary Care Assistants. It is vital that PDSA continues to attract, retain and develop talented people, and our activities in this area will continue to grow and evolve in 2014.

More than 5,300 volunteers support PDSA throughout the UK by helping in the PetAid hospitals, stores, fundraising groups and offices. The biannual 'Volunteer Investment and Value Audit' shows that PDSA's volunteers donate nearly 1.5 million hours each year, which saves the organisation £12.2 million in employment costs. Furthermore, for every £1 that PDSA invests in volunteering, PDSA gets £21 back in value – or a 2,100% return on investment. PDSA was successfully reaccredited with the Investing in Volunteers (IiV) quality standard during 2013, demonstrating the organisation's commitment to excellence in all aspects of volunteer management.

“  
Transforming leadership at PDSA is a key strategic initiative.  
”



PDSA welcomed a number of recent graduates to start work in our Veterinary, Human Resources and Marketing teams as part of our plans to attract and develop new talent

# Financial review

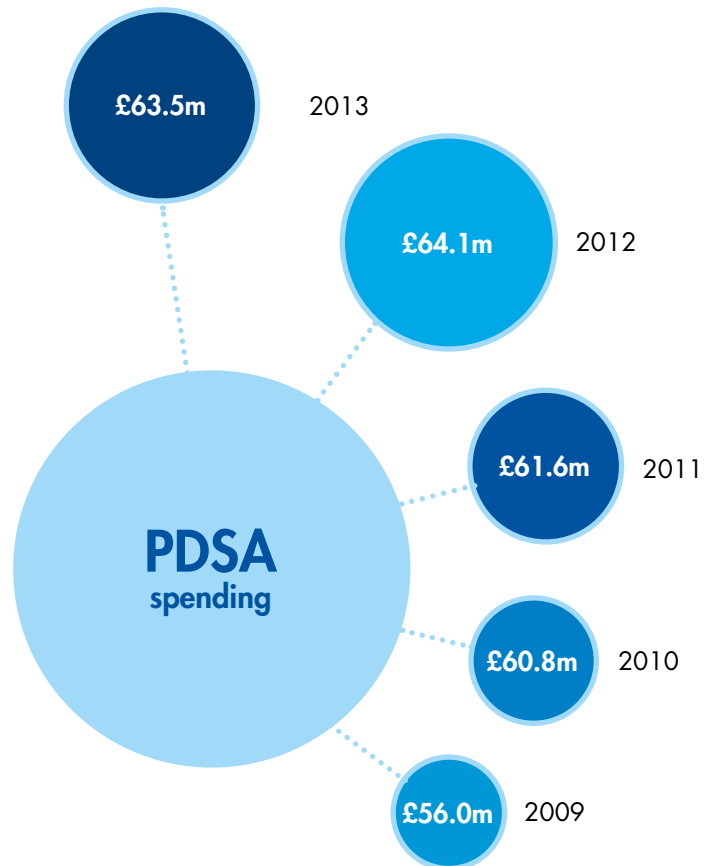
## Overview

PDSA's operating environment remained challenging in 2013 with a weak economy and significant competition for the donor pound. Nevertheless, PDSA sought to control its costs and grow income levels – achieving both.

During the year, PDSA changed its accounting policy on legacy income recognition to better reflect its entitlement to income from estates. In accordance with Financial Reporting Statement 18 this has been accounted for as a prior period adjustment with the effect that the Consolidated Statement of Financial Activities, Balance Sheets and Consolidated Cash Flow Statement for 2012 have been restated to reflect this change. The impact of the change in accounting policy is to increase the cumulative total charity funds brought forward at 1 January 2012 by £6.7 million, decrease income from legacies receivable in 2012 by £0.5 million and increase legacies receivable in 2013 by £1.0 million.

Overall there was a deficit in net incoming resources before other recognised gains and losses of £0.6 million (2012: £3.4 million deficit as restated). In addition, there was a gain from our investment portfolio of £4.6 million (2012: £3.5 million), reflecting favourable investment markets during the year.

## Spending on charitable activities



Against a challenging backdrop we achieved record income of £96.6 million (2012: £94.3 million as restated). Legacies provide our largest source of income rising by 4% to £40.6 million (2012: £38.9 million as restated). This reflects the change in accounting policy for legacies receivable. Sales of preventive services continue to grow and these increased by 8% to £5.8 million; additionally, client contributions in our PetAid hospitals increased to £8.5 million, a 2.3% increase compared to 2012 despite a 2.9% decrease in the number of animals treated. The contribution 'per animal' has risen to £24.44, a 5.2% increase compared to 2012.

In contrast, our retail operation's results continue to be affected by difficult

trading conditions with new goods sales increasing by 2% but donated goods sales decreasing by 3% compared to 2012. Sourcing a continuous supply of donated saleable stock has improved during the year to assist sales. In addition we have increased the income from Gift Aid (and target further growth) and costs have been kept under tight control. We plan to increase new goods sales through online channels and are considering alternative shop formats and the way we select locations for our retail stores.

Resources expended on charitable activities decreased by 0.9% compared to 2012, reflecting a small reduction in the numbers of pets treated and also cost savings.

Against a challenging backdrop we achieved record income.



	2013 £ million	cost/£	2012 £ million	cost/£
Voluntary net income	53.8	0.16	50.8	0.17
Trading-related net income	1.3	0.95	1.4	0.94
Asset-related net income	2.2	0.05	3.5	0.09
Preventive services gross income	5.8	0.76	5.3	0.82
<b>Net incoming resources available for charitable activities</b>	<b>63.1</b>	<b>0.39</b>	<b>61.0</b>	<b>0.39</b>

There was an actuarial loss of £6.8 million (2012: £8.5 million loss) for the defined benefit pension scheme, resulting from the accounting provisions for pension schemes under Financial Reporting Standard 17 – Retirement Benefits (FRS17). The loss was primarily due to changes in actuarial assumptions. Exercises to manage the liabilities of the defined benefit pension scheme continued in 2013 and will be important in future to ensure the scheme remains affordable while maintaining benefits for both staff and pensioners.

PDSA receives no Central Government or National Lottery funding for its PetAid services and therefore relies on generating its income from both voluntary and trading activities. The table above is an alternative method of presenting the results, which gives additional clarity on the sources of net income.

Voluntary net income includes legacies receivable and donations. Trading-related net income includes lottery, sales via our retail network (donated and new goods) and miscellaneous sales, commissions and licensing income. Asset-related income is investment income and gains on disposals of fixed assets. PDSA has a higher total cost per pound of raising its income than many charities because of its wide mix of sources.

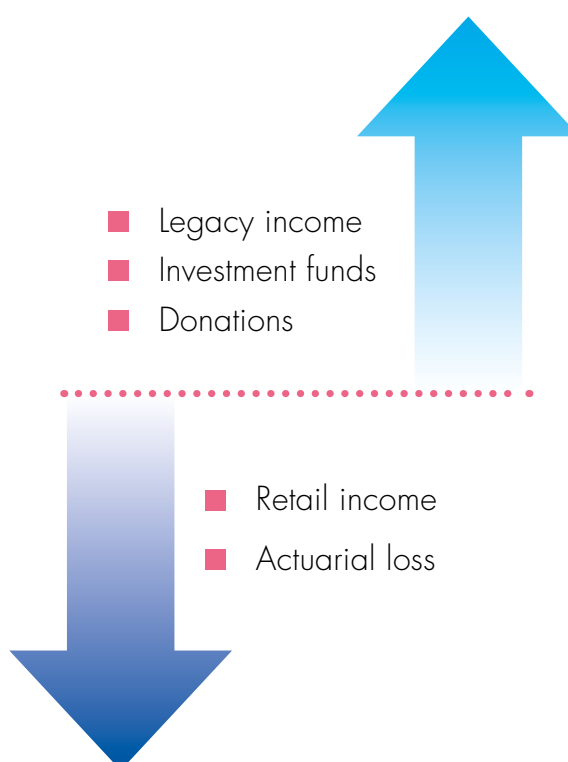
Income from donations and legacies is critical to PDSA and resources commensurate with its importance are devoted to marketing and managing in this area. From the table above it can be seen that the cost of raising voluntary income

overall from our donors decreased slightly in 2013 to 16p per pound (£).

Legacies receivable delivers some 65% of net income (2012: 65%). However, it is our longer-term aim to reduce the dependence on legacies by growing other income streams; we aim to do this through innovative approaches to generating donations and by maximising new and emerging trading opportunities in retail, direct marketing and veterinary commercial activities.

The cost of income relating to trading activity is 95p per pound (£) (2012: 94p) and this area delivered a net surplus of £1.3 million (2012: £1.4 million). If the costs of trading were removed, the cost of delivering our net incoming resources, available for charitable activities, would be 20p per pound (£) (2012: 20p).

Governance costs represented 0.23% of incoming resources (2012: 0.26%).



# Investments, reserves and pensions

The investments comprise externally managed investment funds, investment properties managed by the charity and interest-bearing deposit accounts.

At the end of 2013 investments totalled £73 million (2012: £71 million) and primarily consist of the externally managed investment funds. Day-to-day management of the funds are delegated, with the consent of the Charity Commission, to professional fund managers whose performance is regularly reviewed by the Finance & Investment Committee. PDSA has an ethical investment policy that precludes investing directly in those organisations involved in testing on animals for cosmetic and other non-medical purposes.

Following a review of its investment strategy, in early 2013 PDSA divided its investment fund between two investment managers, Newton Investment Management and Standard Life Investments, using their pooled funds, the Newton Real Return Fund and Standard Life Global Absolute Return Strategies Fund, rather than direct investments. The funds are sufficiently liquid to meet any short-term operational cash needs as well as supporting the Business Plan to maintain and expand the delivery of PDSA's veterinary services. The investment objective is capital preservation subject to the charity's ethical investment policy and performance is measured on a total return basis. It is expected that these investments



will be less volatile to market movements and provide PDSA with greater stability.

Investment markets continued to be favourable in 2013, and overall there was a total return on investment funds of 8.3% (2012: 9.2%), compared to the long-term minimum target return of one month GBP LIBOR+4% (currently 4.5%). During the year, £3.5 million was withdrawn from the investment funds to support operating cash requirements.

Investment properties held are revalued each year. The value at 31 December 2013 was £1.0 million (2012: £1.1 million). The fall in value is due to a property disposal during the year.

## Reserves and going concern

Council reviews its reserves policy regularly as part of its business planning process. It seeks to ensure that it retains sufficient reserves to fund planned activity agreed in the Business Plan, to be responsive to unforeseen and unplanned activity and to protect PDSA from unexpected events, such as fluctuations in income and the valuation of investments that are not anticipated in the Business

Plan. PDSA adopts Charity Commission guidance on reserves policy as set out in Charity Commission Guidelines CC19.

The reserves policy is supported by contingency planning to determine the potential impact on the level of free reserves of defined risk factors. Contingency planning determines the minimum level of free reserves that are considered necessary to protect from any prolonged financial risks and considers measures that may need to be addressed should reserves fall below agreed levels.

On this basis, the minimum level of free reserves is set, as planned, at £49 million. At 31 December 2013 the charity had total free reserves of £67 million (2012: £68 million as restated) in addition to the contingent assets of the legacy pipeline of £20.2 million. Furthermore, the charity's investment funds have available liquidity to provide flexibility in managing any potential downturn in income. The charity also has a £5 million unsecured overdraft facility with Lloyds Bank plc.

Given current economic uncertainty, Council regularly reviews financial forecasts and projections, taking account

“  
Our investment objective is capital preservation.  
”

of the potential impact on future service delivery. To assist this review, cash forecasting is an important element of group financial management. Annually the Trustees formally review financial plans for the current and following four years.

No matters have come to the attention of the Trustees which might suggest that the charity will not be able to maintain its current activities for the foreseeable future and they therefore consider that it is appropriate for the financial statements to be prepared on the going concern basis.

## Pension Plans

PDSA operates a defined benefit pension scheme and a Group Personal Pension Plan (GPP).

The defined benefit pension scheme, which has been closed to new employees since 2006, had a deficit, as calculated under the provisions of FRS17, of £14.7 million at 31 December 2013 (2012: £9.1 million).

For the defined benefit pension scheme, the latest triennial actuarial valuation was carried out as at 31 December 2011 and this showed a deficit of £24.3 million. Measures to reduce the deficit will include the provision of additional employer funding of £1.1 million per year. Furthermore, there is an escrow account to be used on deficit reduction activities agreed with the pension scheme Trustees; the balance of this account at 31 December 2013 was £1.6 million (2012: £2.2 million).

The Group Personal Pension Plan was opened in January 2008 for new employees. Existing members of the defined benefit pension scheme can transfer to this plan at their request, in the year arrangements were established within the existing GPP scheme for those adopting a pension as part of auto-enrolment legislation.

PDSA aims to contain the growth in its commitment to pension provision and has undertaken deficit mitigation exercises during the year.



Council reviews its reserves policy regularly as part of its business planning process.

# Public benefit

## Meeting the need



PDSA is governed by two Acts of Parliament (1949 and 1956) and the objects of the charity are the relief of poverty through the provision of free medical or surgical treatment to animals belonging to persons who appear to PDSA to be unable to afford the service of a veterinary surgeon.

Those who benefit from PDSA's services are pet owners who are in receipt of either

Housing Benefit or Council Tax Benefit, and live within a defined catchment area around each PetAid hospital, branch or practice. It will be monitoring proposals by the Government for changes to the benefits structure.

PDSA veterinary services are provided to each eligible pet owner: all popular domestic pets are treated, for example, dogs, cats and those described as 'small furries'.

The Trustees consider that due regard has been paid to the public benefit guidance published by the Charity Commission in relation to section 4 of the Charities Act 2011.

Without the work of PDSA and the provision of our free veterinary care, many pet owners would have been in the distressing position of seeing their sick and injured pets suffer unnecessarily. PDSA provides vital veterinary services for those communities in most need of support and spent £63.5 million in providing this

service in 2013. PDSA treated 392,000 pets in the year and there is a high level of satisfaction in our services. Our pet health work is expanding with a number of key projects to help educate and inform owners in providing for their pet's health and welfare needs. This includes making preventive healthcare services available to eligible clients for an affordable fee.

PDSA is working with the Charity Commission to enable it to revise its charitable objects. This is an exciting prospect for the charity, allowing it the potential for greater impact; but it is a significant undertaking that will take some time to complete and communicate.

The charity has been in contact with the now-established Charity Commission for Northern Ireland; registration will be in stages and we understand that cross-border charities will be called by the Commission later in the process.

### Public benefit in Scotland

PDSA is registered as a charity in Scotland. Its activities there comprise a significant part of delivering its mission and fundraising. There are five PDSA PetAid hospitals located in Scotland and these, along with the private PetAid practices, cover 89.3% of eligible households – which remains the highest level achieved for any of the four constituent parts of the United Kingdom.

Gross income raised in 2013 from charity stores, fundraising groups and PetAid hospitals in Scotland amounted to £4.5 million (2012: £4.6 million).

One of PDSA's Trustees is resident in Scotland. Part of his role is to keep Council informed of any news and developments in the sector and elsewhere that are relevant to our activities in Scotland.

Approved by Council and signed on its behalf by:

Michael Bolton  
Chairman  
01 May 2014

Our pet health work is expanding with a number of key projects.

# Independent auditor's report to the Council of The People's Dispensary for Sick Animals

We have audited the financial statements of The People's Dispensary for Sick Animals for the year ended 31 December 2013, which comprise the Group Statement of Financial Activities, the Group and Parent Charity Balance Sheets, the Group 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, as a body, in accordance with the Charities Act 2011 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 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 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 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 section 144 of the Charities Act 2011 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](http://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 charity's affairs as at 31 December 2013 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 Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and The People's Dispensary for Sick Animals Acts 1949 and 1956.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or

- proper and sufficient accounting records have not been kept; or
- the parent charity financial statements are not in agreement with the accounting records or returns; or
- we have not received all the information and explanations we require for our audit.



BDO LLP  
Statutory Auditor  
Gatwick  
United Kingdom  
Date: 7 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

For the year ended 31 December 2013

	Note	Unrestricted funds	Restricted funds	Total 2013	£'000 Total 2012 restated
<b>Incoming resources</b>					
<b>From generated funds</b>					
Voluntary income	1,2	58,044	6,322	<b>64,366</b>	60,989
Activities for generating funds	2	24,054	-	<b>24,054</b>	24,136
Investment income	2	1,769	-	<b>1,769</b>	3,255
<b>From charitable activities</b>					
Preventive services		5,777	-	<b>5,777</b>	5,335
<b>From other sources</b>					
Net gain on disposal of fixed assets		596	-	<b>596</b>	573
<b>Total incoming resources</b>		<b>90,240</b>	<b>6,322</b>	<b>96,562</b>	<b>94,288</b>
<b>Resources expended</b>					
<b>Cost of generating funds</b>					
Costs of generating voluntary income	3	10,528	7	<b>10,535</b>	10,272
Fundraising trading: costs of goods sold and other costs	3	22,818	-	<b>22,818</b>	22,695
Investment management costs	3	119	-	<b>119</b>	355
<b>Total costs of generating funds</b>		<b>33,465</b>	<b>7</b>	<b>33,472</b>	<b>33,322</b>
Net incoming resources available for charitable activities		56,775	6,315	<b>63,090</b>	60,966
<b>Charitable activities:</b>					
PetAid hospitals	3	45,746	3,992	<b>49,738</b>	50,353
Contracted PetAid services	3	6,794	706	<b>7,500</b>	7,713
Promotion of responsible pet ownership	3	1,791	23	<b>1,814</b>	1,650
Preventive services	3	4,413	-	<b>4,413</b>	4,352
		<b>58,744</b>	<b>4,721</b>	<b>63,465</b>	<b>64,068</b>
<b>Governance costs</b>	3	225	-	<b>225</b>	251
<b>Total resources expended</b>		<b>92,434</b>	<b>4,728</b>	<b>97,162</b>	<b>97,641</b>
<b>Net outgoing resources before other recognised gains and losses</b>					
		(2,194)	1,594	<b>(600)</b>	(3,353)
Gains on investment assets	7	4,656	-	<b>4,656</b>	4,350
Actuarial loss on defined benefit pension	19	(6,800)	-	<b>(6,800)</b>	(8,500)
<b>Net movement in funds</b>		<b>(4,338)</b>	<b>1,594</b>	<b>(2,744)</b>	<b>(7,503)</b>
<b>Reconciliation of funds</b>					
Total funds brought forward as originally stated		86,139	4,872	<b>91,011</b>	98,043
Prior period adjustment	1	6,189	-	<b>6,189</b>	6,660
Total funds brought forward as restated		92,328	4,872	<b>97,200</b>	104,703
<b>Total funds carried forward</b>	14	<b>87,990</b>	<b>6,466</b>	<b>94,456</b>	<b>97,200</b>

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

# Balance Sheets

At 31 December 2013

£'000

	Note	Group		Charity	
		Total 2013	Total 2012 restated	Total 2013	Total 2012 restated
<b>Fixed assets</b>					
Tangible assets	6	29,251	28,328	30,227	28,863
Investments	7	73,028	70,957	73,028	70,957
<b>Total fixed assets</b>		<b>102,279</b>	99,285	<b>103,255</b>	99,820
<b>Current assets</b>					
Stocks – finished goods and goods for resale		1,486	1,757	637	662
Debtors	8	13,178	11,614	14,411	14,510
Investments	9	19	19	19	19
Cash at bank and in hand		1,857	2,880	744	929
<b>Total current assets</b>		<b>16,540</b>	16,270	<b>15,811</b>	16,120
Creditors – amounts falling due within one year	10	(8,969)	(8,369)	(7,873)	(7,656)
<b>Net current assets</b>		<b>7,571</b>	7,901	<b>7,938</b>	8,464
<b>Total assets less current liabilities</b>					
		<b>109,850</b>	107,186	<b>111,193</b>	108,284
Creditors – amounts falling due after more than one year	11	(20)	(24)	(20)	(24)
Provisions for liabilities	12	(656)	(837)	(656)	(837)
<b>Net assets excluding pension liability</b>		<b>109,174</b>	106,325	<b>110,517</b>	107,423
<b>Defined benefit pension scheme liability</b>	19	<b>(14,718)</b>	(9,125)	<b>(14,718)</b>	(9,125)
<b>Net assets including pension scheme liability</b>		<b>94,456</b>	97,200	<b>95,799</b>	98,298
<b>The funds of the charity</b>					
<b>Restricted income funds</b>	14	<b>6,466</b>	4,872	<b>6,466</b>	4,872
<b>Unrestricted income funds</b>					
Unrestricted income funds	14	65,765	64,900	67,108	65,998
Designated funds	14	36,943	36,553	36,943	36,553
<b>Unrestricted funds excluding pension reserve</b>		<b>102,708</b>	101,453	<b>104,051</b>	102,551
<b>Pension reserve</b>	14	<b>(14,718)</b>	(9,125)	<b>(14,718)</b>	(9,125)
<b>Total unrestricted funds</b>		<b>87,990</b>	92,328	<b>89,333</b>	93,426
<b>Total charity funds</b>		<b>94,456</b>	97,200	<b>95,799</b>	98,298

Approved by Council and signed on its behalf on 01 May 2014.



Michael Bolton  
Chairman

# Consolidated Cash Flow Statement

For the year ended 31 December 2013

£'000

	Note	2013	2012
<b>Net cash outflow from operating activities</b>	a	<b>(825)</b>	(2,800)
<b>Returns on investment and servicing of finance</b>			
Interest received		17	26
Dividends received		1,249	2,696
<b>Net cash inflow from returns on investment and servicing of finance</b>		<b>1,266</b>	2,722
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(3,659)	(3,346)
Sale of tangible fixed assets		948	775
Purchase of investments		(1,144)	(2,734)
Pension deficit contributions		(1,257)	(1,708)
Sale of investments		3,648	7,370
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<b>(1,464)</b>	357
<b>(Decrease)/increase in cash in the year</b>		<b>(1,023)</b>	279
<b>Reconciliation of net cash flow to movement in net funds</b>			
(Decrease)/increase in cash in the year		(1,023)	279
Net funds at 1 January		2,899	2,620
<b>Net funds at 31 December</b>	b	<b>1,876</b>	2,899

## Notes to consolidated cash flow statement

a. Reconciliation of net incoming resources to net cash flow from operating activities	2013	2012 restated
Net outgoing resources before recognised gains and losses	(600)	(3,353)
Investment income	(1,266)	(2,722)
Net gain on disposal of tangible fixed assets	(596)	(574)
Depreciation	2,384	2,234
Movements on investments	81	223
(Increase) in pension provision excluding actuarial loss	50	-
(Increase)/decrease in stocks	271	(24)
Decrease in debtors	(1,564)	970
Increase in creditors	596	295
Increase in provisions	(181)	151
<b>Net cash outflow from operating activities</b>	<b>(825)</b>	(2,800)

## b. Changes in cash and current asset investments

	2012	Cash flow	2013
Cash at bank and in hand and current asset investments	2,899	(1,023)	1,876



# Notes to the financial statements for the year ended 31 December 2013

## 1. Accounting policies

### Accounting basis

The financial statements have been prepared under the historical cost convention, with the exception of investments that are included at market value. The financial statements have been prepared in accordance with the Charities Act 2011, the Charities and Trustees Investment (Scotland) Act 2005, the Statement of Recommended Practice (SORP), Accounting and Reporting by Charities published in 2005 and with applicable UK accounting standards.

The charity's activities, together with factors likely to affect its future development, performance and financial position and commentary on its financial results and its cash flows, are set out in the Trustees' Report on pages 1 to 17 and elsewhere in the financial statements. For the year ended 31 December 2013 the financial statements show that PDSA had a deficit on net incoming resources before other recognised gains and losses of £0.6 million with cash consumed by operating activities of £0.8 million. The financial statements also show that the Group balance sheet had net assets, including a pension scheme liability, of £94.5 million with net current assets of £7.6 million.

The minimum free reserves required under the reserves policy is £49 million compared to the current value of free reserves of £67 million. In addition, the charity has the contingent asset of the legacy pipeline of £20.2 million. The charity held cash and short-term investments of £1.9 million as at 31 December 2013. It can quickly draw on its investment fund for cash, should the need arise. The Trustees have concluded that no matters have come to their attention which would prevent the charity from being able to maintain its current charitable activities and trade with customers and suppliers and they therefore consider that it is appropriate for the financial statements to be prepared on the going concern basis.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line-by-line basis. All entities concerned prepared financial statements to 31 December 2013.

### Fund accounting

General funds are unrestricted funds that are available for use at the discretion of Council in furtherance of the general objectives of the charity, which have not been designated for other purposes.

Designated funds are unrestricted funds that have been set aside by Council for particular purposes. The aim and use are set out in Note 14 to the financial statements.

Restricted funds are funds that are used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in Note 14 to the financial statements. Income received less than £10,000, unless part of a larger project, is reported in aggregate.

Investment income and gains are allocated to the appropriate fund.

### Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Reversionary interests involving a life tenant are not recognised. Residuary legacies are recognised when the Charity is advised by the personal representative of an estate that payment will be made or assets transferred; or when six months have elapsed since the date of probate and in the opinion of management the amount can be quantified with reasonable accuracy and is virtually certain to be received.

### Change of policy and prior period adjustment

This represents a change in accounting policy to better reflect the entitlement to legacy income. The effect of the change has been to:

- increase pre 2012 retained earnings by £6.7 million
- reduce legacies receivable in 2012 by £0.5 million

- increase legacies receivable in 2013 by £1.0 million

Goods donated for resale are included as income when they are sold.

Donation income is credited when received, except where fundraising campaigns are based around a specific event date, in which case the accruals basis is used.

Grants and donations in respect of capital expenditure are credited to restricted funds in full at the point of recognition, and are released to the general fund over the economic lives of those assets by equal instalments.

### Resources expended

All expenditure is accounted for on an accruals basis and has been listed under the headings that aggregate all costs related to the category. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of the resources. Overheads in support areas have been allocated to activities as outlined in Note 3 to the financial statements.

Donations and gifts costs are those incurred in seeking voluntary contributions for the charity. Governance costs are those incurred by Trustees, internal audit and fees charged by external auditors. Irrecoverable VAT is charged as a cost to the individual activity.

### Tangible fixed assets and depreciation

Tangible fixed assets costing more than £5,000 are capitalised and accounted for at cost, inclusive of any incidental expenses of acquisition.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight-line basis over their expected useful economic lives as follows:

Assets under course of construction	nil
Freehold land	nil
Freehold buildings	25–50 years

# Accounting policies

Long leasehold buildings	25 years
Short leasehold buildings	remainder of lease
PetAid hospital buildings, freehold and leasehold	25 years
Furniture, fittings and equipment	3–8 years
Motor vehicles	5 years

The charity has a policy to conduct impairment reviews in accordance with the requirements of FRS 11.

## Investment properties

In accordance with SSAP19 these properties are revalued. Revaluations are undertaken by external professionally qualified surveyors on the basis of open market value each year.

## Investments

Listed investments are stated at market value at the balance sheet date. The SOFA includes the net gains and losses arising on revaluation and disposals throughout the year.

Investments in subsidiaries are shown at cost, less provision for impairment.

## Stocks

Stocks are stated at the lower of cost and net realisable value. Items donated for resale are not included in the financial statements until they are sold.

## Taxation

As a registered charity PDSA is exempt from taxation of income and gains falling within Chapter Three of Part II to the Corporation Tax Act 2010 or Section 256 Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charge has arisen in the year. No tax charge has arisen in any of its subsidiaries since they gift all taxable profits to PDSA.

## Pension costs

For the defined benefit pension scheme, the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments; these are included as part of staff costs. Past service costs are recognised immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised

over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately and are shown separately in the SOFA. Defined benefit pension schemes are funded, with the assets of the scheme held separately from those of the group, in trustee-administered funds. These assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The valuation is obtained triennially but is updated each year and the resulting asset or liability is shown on the balance sheet.

The contributions paid by the employer relating to the Group Personal Pension Plan vary according to individual employee contributions. The assets are held separately from those of the group. The amounts charged in resources expended are the cost of the contributions in the year they arise.

## Finance and operating leases

Rentals paid under operating leases are charged to the SOFA on a straight-line basis over the lease-term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are credited to the SOFA over the period when the actual rent is expected to exceed the market rate.

Rentals receivable under operating leases are credited to the SOFA in the periods in which they become receivable.

## Basis of consolidation

PDSA's group's financial statements consolidate the financial statements of the charity and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated on a line-by-line basis for the periods from or to the date on which control passed.

PDSA Trading Limited, PDSA PetAid Enterprises Limited and PDSA Property Services Limited are consolidated within these accounts as PDSA holds 100% of the issued shared capital of each company.

## 2. Incoming resources from generated funds

	£'000	
	2013	2012 restated
<b>Voluntary income</b>		
Legacies receivable#	40,612	38,940
Donations and gifts	23,754	22,049
	<b>64,366</b>	<b>60,989</b>
<b>Activities for generating funds</b>		
Lottery and similar income	3,478	3,491
Sale of donated goods*	16,485	16,953
Sale of retail new goods	2,075	2,044
Other sales income	2,016	1,648
	<b>24,054</b>	<b>24,136</b>
<b>Investment income</b>		
Listed securities – dividends	1,249	2,696
Interest on cash held as part of investment portfolio	4	12
Bank and other interest	13	14
Rents receivable	503	533
	<b>1,769</b>	<b>3,255</b>

\* 2013 includes income of £4,343,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid programme (2012: £3,916,000).

# Legacies receivable has been restated to reflect a change in the accounting policy for legacy income recognition (see note 1).

## 3. Total resources expended

	£'000			
	Activities undertaken directly	Support costs allocated	2013 Total	2012 Total
<b>Costs of generating voluntary income</b>				
Legacies receivable	2,024	134	<b>2,158</b>	1,688
Donations and gifts	7,434	266	<b>7,700</b>	7,576
Raising public perception and awareness	647	30	<b>677</b>	1,008
	<b>10,105</b>	<b>430</b>	<b>10,535</b>	<b>10,272</b>
<b>Costs of generating trading income</b>				
Merchandising and charity store operating costs	19,328	1,927	<b>21,255</b>	20,702
Lottery ticket sales	1,511	52	<b>1,563</b>	1,993
	<b>20,839</b>	<b>1,979</b>	<b>22,818</b>	<b>22,695</b>
<b>Investment management costs</b>	99	20	<b>119</b>	355
<b>Charitable activities:</b>				
PetAid hospitals	45,807	3,931	<b>49,738</b>	50,353
Contracted PetAid services	7,402	98	<b>7,500</b>	7,713
Promotion of responsible pet ownership	1,694	120	<b>1,814</b>	1,650
Preventive services	4,199	214	<b>4,413</b>	4,352
	<b>59,102</b>	<b>4,363</b>	<b>63,465</b>	<b>64,068</b>
<b>Governance costs</b>	213	12	<b>225</b>	251
	<b>90,358</b>	<b>6,804</b>	<b>97,162</b>	<b>97,641</b>

## Support costs breakdown by activity

£'000

	Human Resources	Property Services	Finance and Management	Information Technology	2013	2012
<b>Costs of generating voluntary income</b>						
Legacies receivable	53	-	46	35	134	148
Donations and gifts	46	-	167	53	266	410
Raising public perception and awareness	6	-	15	9	30	120
<b>Costs of generating trading income</b>						
Merchandising and charity store operating costs	545	511	435	436	1,927	2,232
Lottery ticket sales	9	-	34	9	52	107
<b>Investment management costs</b>	-	18	2	-	20	36
<b>Charitable activities:</b>	-	-	-	-	-	-
PetAid hospitals	1,976	480	1,190	285	3,931	4,697
Contracted PetAid services	36	10	8	44	98	99
Promotion of responsible pet ownership	60	3	39	18	120	121
Preventive services	120	-	94	-	214	256
<b>Governance costs</b>	8	-	4	-	12	25
<b>Total support costs</b>	<b>2,859</b>	<b>1,022</b>	<b>2,034</b>	<b>889</b>	<b>6,804</b>	<b>8,251</b>

## Bases of allocation

Human Resources	staff costs
Property Services	property costs, excluding rent
Information Technology	number of IT devices
Finance and Management	expenditure

## 4. Net outgoing resources before other recognised gains and losses

These are stated after charging:		2013	2013
Auditor's remuneration	audit fees charity	39	49
	audit fees subsidiaries	7	9
	non-audit fees charity	5	10
	- tax services	-	54
	- pensions services	2	2
	- other consultancy services	5	6
	non-audit fees subsidiaries	2	2
	- tax services	2,624	3,243
	- other consultancy services	2,384	2,234
Irrecoverable VAT		3,767	3,847
Depreciation – owned assets			
Operating leases – buildings			

## 5. Employees

	2013	2012
<b>Employment costs</b>		
Salaries	42,292	42,508
Social security costs	3,603	3,663
Employer's pension costs	4,274	3,529
Other staff costs	357	386
	<b>50,526</b>	<b>50,086</b>
<b>Average number of employees, calculated on a full-time equivalent basis</b>	<b>1,682</b>	<b>1,686</b>

	2013	2012
<b>Employment costs</b>		
The number of higher-paid employees whose emoluments were within the following scales was as follows:		
£60,001–£70,000	24	26
£70,001–£80,000	8	6
£80,001–£90,000	1	1
£90,001–£100,000	2	2
£100,001–£110,001	1	2
£110,001–£120,000	1	-
£120,001–£130,000	-	1
£140,001–£150,001	1	1

Twenty-six (2012: twenty-seven) of the higher-paid staff are members of the charity's defined benefit pension scheme. Six of the staff are members of the Group Personal Pension Plan (2012: seven). Five of the staff are members of the PDSA GPP Auto Enrolment pension scheme, which commenced in 2013.

Members of Council do not receive any remuneration.

Travel, accommodation, telecommunications, entertainment and training costs incurred by Council members on charity business are reimbursed by the charity, or are paid directly by the charity. This amounted to £15,098 during the year for twelve Council members (2012: £14,164 for twelve).

## 6. Fixed assets

								£'000	
	Assets under course of construction	Freehold land and buildings	Leasehold buildings		PetAid hospital land and buildings		Furniture fittings and equipment	Motor vehicles	Total
			Long lease	Short lease	Freehold	Long lease			
<b>Cost</b>									
At 1 January 2013	562	4,372	206	6,053	29,974	5,697	13,262	3,084	63,210
Reclassification	(1,926)	(6)	-	-	1,932	-	-	-	-
Additions	1,817	-	-	211	4	(4)	1,065	566	3,659
Disposals	(87)	(117)	(88)	(175)	(99)	-	(426)	(506)	(1,498)
<b>At 31 December 2012</b>	<b>366</b>	<b>4,249</b>	<b>118</b>	<b>6,089</b>	<b>31,811</b>	<b>5,693</b>	<b>13,901</b>	<b>3,144</b>	<b>65,371</b>
<b>Depreciation</b>									
At 1 January 2013	-	1,188	75	5,808	12,660	2,409	11,097	1,645	34,882
Charge for the year	-	96	7	76	1,018	167	529	491	2,384
Disposals	-	(62)	(48)	(176)	-	-	(390)	(470)	(1,146)
<b>At 31 December 2013</b>	<b>-</b>	<b>1,222</b>	<b>34</b>	<b>5,708</b>	<b>13,678</b>	<b>2,576</b>	<b>11,236</b>	<b>1,666</b>	<b>36,120</b>
<b>Net book value</b>									
<b>At 31 December 2013</b>	<b>366</b>	<b>3,027</b>	<b>84</b>	<b>381</b>	<b>18,133</b>	<b>3,117</b>	<b>2,665</b>	<b>1,478</b>	<b>29,251</b>
At 31 December 2012	562	3,184	131	245	17,314	3,288	2,165	1,439	28,328

The difference between the Group and charity fixed assets is cost of assets in the course of construction held in PDSA PetAid Enterprises Limited of £366,000 and the exclusion of the intra-group profit of £1,341,000. The intra-group profit arose from the construction and sale of PetAid hospital buildings by subsidiaries of the charity.

Assets of gross amount £17,270 (2012: £17,270), accumulated depreciation £17,270 (2012: £17,270) are subject to an operating lease to a third party. Aggregate rentals receivable by the Group in the accounting period were £4,473 (2012: £4,473).

## 7. Fixed asset investments

£'000

### Group and charity

	Investment properties				Total
	Listed investments	Unlisted investments	Freehold	Long leasehold	
At 1 January 2013	69,821	-	1,005	131	70,957
Additions/transfers in	1,144	-	-	-	1,144
Withdrawals/transfers out	(3,581)	-	-	(148)	(3,729)
Net gains/(losses) on revaluations and disposals	4,617	-	21	18	4,656
<b>At 31 December 2013</b>	<b>72,001</b>	<b>-</b>	<b>1,026</b>	<b>1</b>	<b>73,028</b>
<b>Historical cost</b>					
At 31 December 2013	70,878	-	106	3	70,987

	2013	2012
<b>Listed investments</b>		
UK equities	-	25,893
UK bonds and gilts	-	6,655
Overseas bonds	-	1,971
Property unit trusts	-	5,990
Overseas equities	-	16,453
Other structured investments	71,978	10,434
Cash funds and on deposit	23	2,425
<b>Total</b>	<b>72,001</b>	<b>69,821</b>

	2013	2012
At 31 December 2013 and 2012 the charity had the following holdings constituting more than 5% of the portfolio market value:		
Newton Real Return Fund	36,342	10,434
Standard Life Global Asset Return Strategies Fund	35,635	-
<b>The listed investments are distributed:</b>		
UK listed	72,001	56,172
Listed elsewhere	-	13,649

The charity is not aware of any material restrictions that might affect the realisation of any of its listed securities.

Within fixed asset investments, investment properties include a valuation as at 31 December 2013 of £1,027,000. All properties were valued as at 31 December 2012 by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of Independent Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors (RICS). All properties were valued on the basis of Market Value. Their opinion of the Market Value of each of the properties was primarily derived using comparable recent market transactions on arm's length terms. All valuations were carried out in accordance with the RICS Valuation Standards. Their valuation report is dated 21 January 2013 (the 'Valuation Report'). The valuation report has been updated at the end of 2013 using indices published by IPD moderated by management's judgement.

## 8. Debtors

	Group		Charity	
	2013	2012 restated	2013	2012 restated
Accrued legacies	9,691	8,019	9,691	8,019
Amounts due from subsidiary undertakings	-	-	2,122	3,390
Income tax recoverable	630	306	631	306
Sundry debtors	1,262	1,702	751	1,208
Prepayments	1,595	1,587	1,216	1,587
<b>Total</b>	<b>13,178</b>	<b>11,614</b>	<b>14,411</b>	<b>14,510</b>

The charity has received notification of legacies amounting to approximately £20,187,000 (2012: £16,671,000, as restated). This total has not been recognised as income at 31 December 2013, but represents a contingent asset that will be recognised in future years. The accrued legacies and the contingent asset for 2012 have been restated to reflect a change in the accounting policy for legacy income recognition (see note 1).

## 9. Current asset investments

Group and charity	£'000 Interest bearing deposit accounts
At 1 January 2013	19
Increase	-
<b>At 31 December 2013</b>	<b>19</b>

## 10. Creditors: amounts falling due within one year

	Group		Charity	
	2013	2012	2013	2012
Taxation and social security	958	1,041	958	1,041
Sundry creditors	4,044	4,858	3,508	4,158
Deferred income	190	18	-	18
Accruals	3,777	2,452	3,407	2,439
	<b>8,969</b>	<b>8,369</b>	<b>7,873</b>	<b>7,656</b>

## 11. Creditors: amounts falling due after more than one year

Group and charity	2013	2012
Sundry creditors	20	24
	<b>20</b>	<b>24</b>

## 12. Provisions for liabilities

Group and charity	2013	2012
Obligations for dilapidations in respect of rented properties the leases of which expire by 2024	656	687
Liabilities arising from a supplier claim where settlement is subject to negotiation	-	150
	<b>656</b>	<b>837</b>

# 13. Analysis of Group net assets between funds

Fund balances at 31 December 2013 are represented by:	Restricted	Designated	General	Total
Tangible fixed assets	5,710	-	23,541	29,251
Investments	-	36,943	36,085	73,028
Current assets	756	-	15,784	16,540
Creditors – amounts falling due within one year	-	-	(8,969)	(8,969)
Creditors – amounts falling due after more than one year	-	-	(20)	(20)
Provisions for liabilities	-	-	(656)	(656)
Net assets excluding pension liability	6,466	36,943	65,765	109,174
Defined benefit pension scheme liability	-	-	(14,718)	(14,718)
<b>Net assets including pension liability</b>	<b>6,466</b>	<b>36,943</b>	<b>51,047</b>	<b>94,456</b>

# 14. Statement of funds

	At 1 January 2013	Incoming resources	Outgoing resources	Gains/ (losses)	Transfers	£'000 At 31 December 2013
<b>General fund</b>	<b>64,900</b>	<b>90,240</b>	<b>(92,434)</b>	<b>(2,144)</b>	<b>5,203</b>	<b>65,765</b>
<b>Designated funds</b>						
PetAid hospital replacement	36,553	-	-	-	390	36,943
	36,553	-	-	-	390	36,943
<b>Unrestricted funds excluding pension reserve</b>	<b>101,453</b>	<b>90,240</b>	<b>(92,434)</b>	<b>(2,144)</b>	<b>5,593</b>	<b>102,708</b>
<b>Pension reserve</b>	<b>(9,125)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,593)</b>	<b>(14,718)</b>
<b>Total unrestricted funds</b>	<b>92,328</b>	<b>90,240</b>	<b>(92,434)</b>	<b>(2,144)</b>	<b>-</b>	<b>87,990</b>
<b>Restricted funds</b>						
Liverpool Huyton PetAid hospital, The Thomas Williams Centre	168	-	(13)	-	-	155
Restricted legacies	826	4,054	(4,266)	-	-	614
Equipment and van for Kent	31	-	(14)	-	-	17
Belfast Urban Development grant	52	-	(3)	-	-	49
Liverpool Kirkdale PetAid hospital, The Jeanne Marchig Centre	96	-	(4)	-	-	92
Liverpool Kirkdale PetAid hospital, The Jeanne Marchig Centre – appeal	776	-	(38)	-	-	738
Sunderland PetAid hospital, The Reay Hudson Centre – appeal	645	-	(28)	-	-	617
Glasgow (Shamrock Street) PetAid hospital – appeal	160	-	(11)	-	-	149
Llanelli PetAid branch – appeal	3	-	(3)	-	-	-
Digital x-ray – appeal	265	33	(50)	-	-	248
Plymouth PetAid hospital, The Gwen Rees Centre – appeal	1,312	-	(55)	-	-	1,257
Operating table – Wolverhampton PetAid hospital	2	-	(1)	-	-	1
Cardiff PetAid hospital, The Marian and Christina Ionsecu Centre – appeal	23	723	(46)	387	-	1,087
Birmingham (Quinton) PetAid hospital – appeal	149	231	-	-	-	380
National PetAid hospital – appeal	-	387	-	(387)	-	-
Southampton PetAid service	250	-	-	-	-	250
Dundee PetAid hospital floor refurbishment	28	-	(1)	-	-	27
Glasgow East PetAid hospital refurbishment	38	-	(2)	-	-	36
Bedfordshire PetAid services	-	10	(10)	-	-	-
Sheffield PetAid branch	48	-	(2)	-	-	46
Replacement clinical system	-	34	-	-	-	34
Kent veterinary site	-	500	-	-	-	500
PetCheck vehicles	-	55	(11)	-	-	44
PetWISE programme	-	130	(5)	-	-	125
Miscellaneous restricted donations less than £10,000	-	165	(165)	-	-	-
<b>Total restricted funds</b>	<b>4,872</b>	<b>6,322</b>	<b>(4,728)</b>	<b>-</b>	<b>-</b>	<b>6,466</b>
<b>Total funds excluding pension reserve</b>	<b>106,325</b>	<b>96,562</b>	<b>(97,162)</b>	<b>(2,144)</b>	<b>5,593</b>	<b>109,174</b>
<b>Total funds</b>	<b>97,200</b>	<b>96,562</b>	<b>(97,162)</b>	<b>(2,144)</b>	<b>-</b>	<b>94,456</b>



The General fund represents the free funds of the charity that are not designated for particular purposes.

Designated funds have an anticipated lifespan of five years or less, apart from one exception noted below. The full amounts required are designated by Council at the outset, and the costs incurred under the respective projects and activities are charged to those funds as they arise over the life of the former. The designated funds have been established for the following purposes:

- PetAid hospital replacement fund, designated for the replacement of PetAid hospitals at the end of their economic lives; this is a long-term fund with an indefinite life.

A transfer from the general fund of £390,000 has been made to increase the fund to the current projected level.

The movement on the pension reserve represents the difference between the payments in the year by the employer towards the liabilities and the actuarial calculations of liabilities under FRS17.

The restricted funds have been provided for the following purposes:

- Liverpool Huyton PetAid hospital, The Thomas Williams Centre, funded by the European Regional Development Fund. The grant will be released to the General Fund over the economic life of the PetAid hospital.
- Funds bequeathed by legators for use within a specific geographical location. The balance carried forward comprises legacies received and not yet expended at Aberdeen £228,000, Helmsley/Kirbymoorside £340,000, Bristol £21,000 and the west midlands for a veterinary vehicle £25,000
- Legacy received from the estate of Mrs B J Morris, deceased, for the provision of veterinary equipment and van in Kent.
- An urban development grant towards the PetAid hospital at Belfast from the Department of Social Development, Northern Ireland. The grant will be released to the General Fund over the economic life of the PetAid hospital.
- Donation received from Stiftung zur Forderung der Tierschutzes for building Liverpool Kirkdale PetAid hospital, The Jeanne Marchig Centre, to be written off over the life of the PetAid hospital.
- Donations received regarding the Sunderland PetAid hospital, The Reay Hudson Centre, will be released over the life of the asset.
- Donations received regarding the Glasgow (Shamrock Street) PetAid hospital appeal, will be released over the life of the asset.
- Donations received regarding the Llanelli PetAid branch appeal will be released over the life of the branch.
- Donations received regarding the Digital x-ray appeal, which will be released over the life of assets purchased at varying locations.
- Plymouth PetAid hospital, The Gwen Rees Centre, which will be released over the life of the PetAid hospital.
- Donations received for an operating table at Wolverhampton PetAid hospital, to be released over the life of the asset.
- Cardiff PetAid hospital appeal donations have yet to be expended.
- Birmingham (Quinton) PetAid hospital appeal donations have yet to be expended.
- National PetAid hospital Capital Appeal donations have been transferred to the Cardiff PetAid hospital appeal
- Donation received from the Stainer Foundation for PetAid services at Southampton has yet to be expended.
- Donations received for Dundee PetAid hospital floor refurbishment, to be released over the life of the asset.
- Donation received for Glasgow East PetAid hospital refurbishment, to be released over the life of the asset.
- Donation received for Bedfordshire PetAid services costs.
- Donation received for Sheffield PetAid branch capital costs to be released over the life of the asset.
- Donation received for a replacement clinical system.
- Donation received to fund a new veterinary site in Kent.
- Donation received from Mr R Breckman in memory of his wife Julie to finance the capital costs of two replacement PetCheck vehicles.
- Donations received to support the PetWISE pet wellbeing programme.
- Miscellaneous restricted donations received that are less than £10,000 are shown here in aggregate.

## 15. Related parties

There are no transactions with related parties that require to be reported in accordance with FRS8 Related Party Disclosures.

## 16. Capital commitments

	£'000	
Group and charity	2013	2012
<b>Purchase of tangible fixed assets authorised but not contracted</b>	<b>4,640</b>	4,489

## 17. Operating lease commitments

### Group and charity

Annual commitments not provided for in these financial statements under non-cancellable operating leases for land and buildings are as follows:

	2013	2012
<b>Leases that expire</b>		
Within one year	1,000	978
Within two to five years	1,721	1,735
After more than five years	1,000	1,109
	<b>3,721</b>	3,822

## 18. Charity and subsidiary undertakings

The charity holds 100% of the issued share capital of each of the following companies, all of which are registered in England:

<b>PDSA Trading Limited</b>	<b>Principal activities:</b> operation of lotteries, mail order catalogues, sale of financial services and new goods through PDSA's chain of stores.
<b>PDSA Property Services Limited</b>	The company is currently not trading.
<b>PDSA PetAid Enterprises Limited</b>	<b>Principal activities:</b> provision of preventive veterinary services and the construction of new PetAid hospitals for the charity.

The total taxable profit is gifted to the charity. No loans are advanced by the charity to its subsidiaries.

A summary of the charity-only results is shown below:	2013	2012 restated
Total incoming resources	<b>87,202</b>	86,021
Net movement in funds	<b>(2,499)</b>	(7,350)

A summary of the results of the subsidiaries is shown below.

£'000

For the year ended 31 December

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2013	2012	2013	2012	2013	2012
Turnover	11,683	11,077	-	-	8,662	7,590
Cost of sales	(3,172)	(2,718)	-	-	(6,377)	(5,841)
Gross profit	8,511	8,359	-	-	2,285	1,749
Administration expenses	(6,516)	(5,797)	(1)	(2)	(489)	(257)
Operating profit/(loss)	1,995	2,562	(1)	(2)	1,796	1,492
Interest received	2	2	-	-	3	2
Gifted to The People's Dispensary for Sick Animals	(1,997)	(2,563)	-	-	(1,799)	(1,494)
<b>Retained loss</b>	-	1	(1)	(2)	-	-

Aggregate of the assets and liabilities:

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2013	2012	2013	2012	2013	2012
Assets	1,333	1,928	18	21	1,876	2,210
Liabilities	(1,326)	(1,921)	(27)	(29)	(1,876)	(2,210)
<b>Net assets/(liabilities)</b>	7	7	(9)	(8)	-	-

## 19. Defined benefit pension scheme

The charity operates a defined benefit pension scheme. The most recent triennial actuarial valuation was as at 31 December 2011 and showed a deficit of £24.3 million.

A future funding schedule has been agreed with the Trustees of the defined benefit pension scheme to eliminate the deficit over the period to October 2023.

An independent qualified actuary has calculated the scheme liabilities from data provided by the scheme administrators for non-pensioner members as at 1 May 2011 and for pensioner members as at 1 July 2013. The Trustees are satisfied this is suitable for use as at 31 December 2013.

### Amounts for the current and previous four periods

£millions

	2013	2012	2011	2010	2009
Defined benefit obligation	(104.8)	(92.2)	(78.8)	(71.6)	(62.2)
Scheme assets	90.1	83.1	76.5	69.5	60.7
(Deficit)/surplus	(14.7)	(9.1)	(2.3)	(2.1)	(1.5)
Experience gain on scheme liabilities	(1.9)	0.3	1.5	1.7	1.7
Experience gain/(loss) on scheme assets	2.9	1.1	1.1	2.9	3.9

# Defined benefit pension scheme (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	2013	2012
Discount rate	4.45%	4.50%
Expected return on scheme assets (for the following year)	4.76%	4.72%
Future salary increases	3.25%	2.75%
Future value of pensions in deferment (RPI)	3.50%	3.00%
Future value of pensions in deferment (CPI)	2.50%	2.30%
Average rate of increase in pensions (5% LPI)	3.30%	2.90%
Average rate of increase in pensions (2.5% LPI)	2.20%	2.00%
Mortality assumptions (actuarial tables used)	S1PA year of birth tables with CMI 2013 projections and 1.25% long-term trend rate	S1PA year of birth tables with CMI projections and 1.00% long-term trend rate
Average expected future life at age 65 for:	Years	Years
Male currently aged 65	22.3	22.2
Female currently aged 65	24.5	24.4
Male currently aged 45	24.0	23.5
Female currently aged 45	26.4	25.9

Where investments are held in bonds and cash, the expected long-term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on the equities, which are based on realistic future expectations rather than on the returns that have been available historically. The overall expected long-term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension scheme.

## Assets and liabilities of the scheme

	2013		2012	
	Expected return		Expected return	
Corporate bonds	4.45%	6.7	4.50%	6.6
Gilts	3.60%	32.7	3.00%	34.2
Insurance policy		0.9		-
Equities and property	7.10%	38.2	6.50%	39.9
Cash (including £1.6m and £2.2m in the Escrow fund for 2013 and 2012 respectively)	0.50%	11.6	0.50%	2.4
Fair value of scheme assets		90.1		83.1
Present value of funded obligations		(104.8)		(92.2)
Deficit		(14.7)		(9.1)
Related deferred tax (liability)/asset		no allowance		no allowance
<b>Net pension liability</b>		<b>(14.7)</b>		<b>(9.1)</b>

The pension scheme assets include no assets from the charity's own financial instruments and no property occupied by, or other assets used by, the charity. The pension scheme assets include an escrow account with value of £2.2 million at 31 December 2012. The funds in this account are to be used for deficit reduction exercises for the scheme.

## Changes in the present value of the defined benefit obligation

	2013	2012
Opening defined benefit obligation	92.2	78.8
Service cost	2.7	2.9
Past service cost	(0.3)	(1.1)
Contributions by scheme participants	-	0.2
Interest on scheme liabilities	4.1	3.8
Actuarial losses	9.7	9.6
Insured members	0.9	-
Liabilities extinguished on settlement	(0.1)	-
Benefits paid	(4.4)	(2.0)
<b>Closing defined benefit obligation</b>	<b>104.8</b>	<b>92.2</b>

## Changes in the fair value of scheme assets

£millions

	2013	2012
Opening value of the scheme's assets	83.1	76.5
Expected return	3.4	3.1
Actuarial gains	2.9	1.1
Contributions by employer to the scheme	4.0	3.4
Contributions by employer to the escrow account	0.2	0.8
Contributions by scheme participants	-	0.2
Insured members	0.9	-
Benefits paid	(4.4)	(2.0)
<b>Closing fair value of the scheme assets</b>	<b>90.1</b>	<b>83.1</b>
	2013	2012
<b>The actual return on the scheme's assets (excluding the impact of insured members) was</b>	<b>6.3</b>	<b>4.2</b>

The charity expects to pay £3.4 million covering future benefit accrual, deficit contributions and expenses to the defined benefit pension scheme plus SMART contributions in the next financial year.

## The amounts recognised in the Consolidated Statement of Financial Activities

	2013	2012
Service cost	2.7	2.9
Past service cost	(0.3)	(1.1)
Losses on curtailments and settlements	(0.1)	-
Interest on obligation	4.1	3.8
Expected return on scheme assets*	(3.4)	(3.1)
<b>Amounts included within resources expended</b>	<b>3.0</b>	<b>2.5</b>
Actuarial losses on the defined benefit obligation	9.7	9.6
Actuarial gains on the scheme assets	(2.9)	(1.1)
	6.8	8.5
<b>Total</b>	<b>9.8</b>	<b>11.0</b>
<b>Cumulative actuarial losses</b>	<b>31.2</b>	<b>24.4</b>

\* This includes actual expenses paid of £0.5m for 2013 and £0.8m for 2012.



# Administrative details

## The People's Dispensary for Sick Animals (PDSA)

Founded in 1917 by Maria Dickin, CBE  
Incorporated by Acts of Parliament  
(PDSA Act 1949, 12 & 13 Geo. 6, Ch. xv)  
(PDSA Act 1956, 4 & 5 Eliz. 2, Ch. 1xvii)  
Registered charity nos. 208217 & SC037585

### Head Office

Whitechapel Way, Priorslee, Telford, Shropshire TF2 9PQ  
Telephone: 01952 290999 Fax: 0845 556 4906 [www.pdsa.org.uk](http://www.pdsa.org.uk)

### Patron

HRH Princess Alexandra, the Hon. Lady Ogilvy, KG, GCVO

### Bankers

Lloyds Bank plc, 125 Colmore Row, Birmingham B3 3SF

### Investment Managers

Newton Investment Management Limited, Mellon Financial Centre,  
160 Queen Victoria Street, London EC4V 4LA  
Standard Life Investments, 1 George Street, Edinburgh EH 2 2LL

### External Auditor

Deloitte LLP, 3 Rivergate, Temple Quay, Bristol BS1 6GD  
(to 21 August 2013)  
BDO LLP, 2 City Place, Beehive Ring Road, Gatwick,  
West Sussex RH6 0PA (from 21 August 2013)

### Actuaries

KPMG LLP, One Snowhill Snow Hill, Queensway, Birmingham B4 6GH

### Solicitors

Wragge & Co LLP, 55 Colmore Row, Birmingham B3 2AS



PDSA Patron, HRH Princess Alexandra, the Hon. Lady Ogilvy, KG, GCVO

### Executive Staff

<b>Director General</b>	Jan McLoughlin, MSc, CBiol, MSB
<b>Director of Veterinary Services</b>	Richard Hooker, BVMS, MRCVS
<b>Director of Finance</b>	Graham Pick, ACA
<b>Director of Marketing</b>	Maria Heckel, BA (Hons) Dip M (joined 29 April 2013)
<b>Director of Human &amp; Corporate Resources</b>	Karen Hailes, FCIPD
<b>Director of Business Services</b>	Andrew Holl, BSc (Hons) (left 19 August 2013)

The Director General and Directors together constitute the Special Purposes Committee.

# A healthy life for all our pets

To find out more about leaving a gift in your will to PDSA,  
visit [www.pdsa.org.uk/how-you-can-help](http://www.pdsa.org.uk/how-you-can-help)

To find out if you qualify for PDSA veterinary care,  
freephone **0800 731 2502**

For more information on the charity and its work,  
freephone **0800 917 2509**  
visit [www.pdsa.org.uk](http://www.pdsa.org.uk)

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