

ANNUAL REPORT  
& ACCOUNTS  
**2014**



# What we do

As the UK's leading veterinary charity with 51 Pet Hospitals and Pet Clinics and more than 380 supporting Pet Practices providing vital lifesaving care, no other animal charity compares to PDSA – both in terms of scale and impact on pet wellbeing.



## **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.*

# Pets are members of the family so we never turn away a sick or injured pet in an emergency



In 2014 we treated  
**387,000**  
of the nation's much-loved  
pets and provided  
**2.23 million**  
free PDSA Pet Hospital treatments

Our free services are provided within the UK and are offered mainly to pet owners who receive either Housing Benefit or Council Tax Benefit.

We receive no central government funding for our veterinary services and so it is our supporters who make our work a reality.



# 100%

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

**42** PDSA Pet Hospitals

**9** PDSA Pet Clinics

**383** PDSA Pet Practices

**PDSA Pet Treatment Fund**

# PDSA at a glance

## Achieving our vision and mission

### Our 10 strategic goals

#### Pet services

- 1 Maintain existing PDSA services on a stable, sustainable and long-term basis. Increase the capacity of these services in our existing locations in order to satisfy client-driven demand and improve client satisfaction.
- 2 Expand PDSA 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 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 PDSA 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 our staff and volunteers to fulfil their potential and engage and motivate them in the delivery of the Business Plan.
- 10 Protect, support and develop our infrastructure and improve business efficiency, while managing strategic and operational risks.

### Highlights of the year

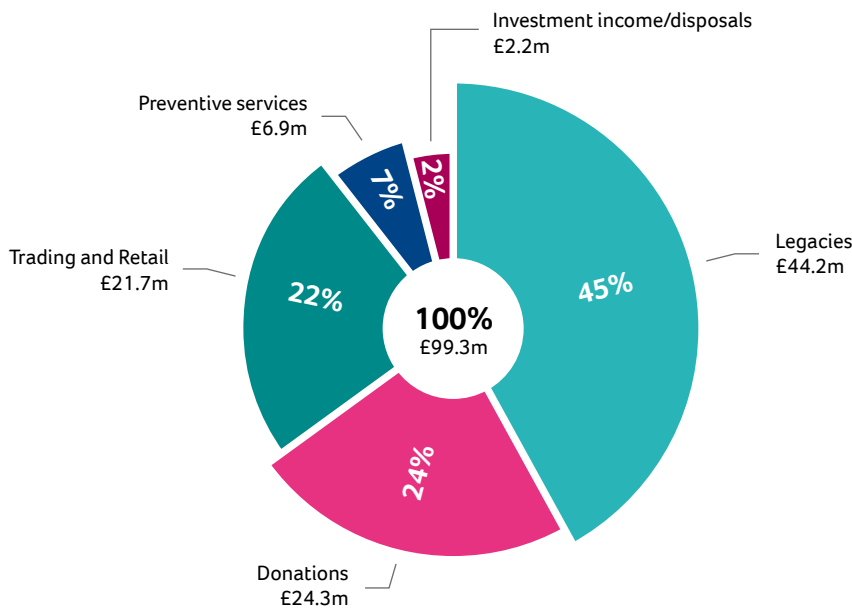
- Raising record income of £99.3 million.
- Increasing spend on our mission by 8.8% to £69.1 million.
- Refreshing our brand supported by an advertising campaign to increase awareness of what we do.
- Issuing the fourth annual *PDSA Animal Wellbeing (PAW) Report*. This is the largest survey into the state of our nation's pets and it had record media coverage.
- Opening the new PDSA Pet Clinic in Margate, The Frank and Ethel Fright Centre.



### Our long-term priorities

- **Maintenance of existing PDSA services on a stable, sustainable and long-term basis.**
- **Expansion of PDSA 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.**

# Income and expenditure

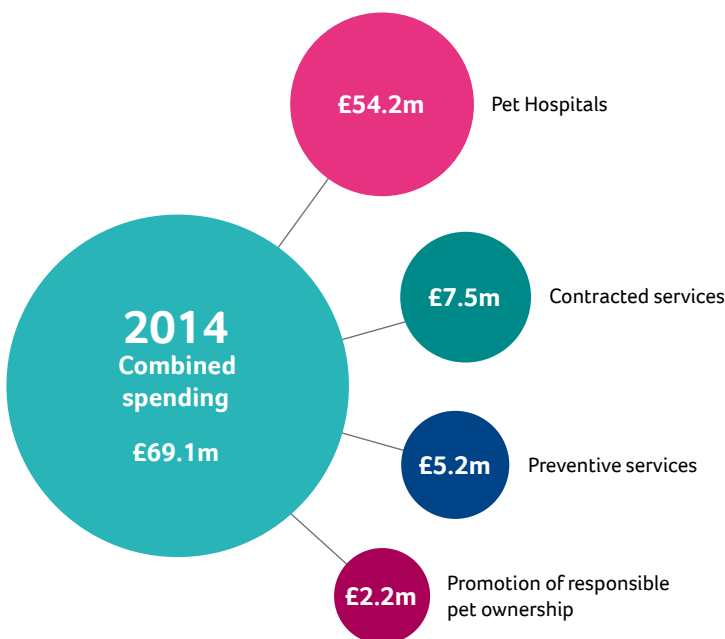
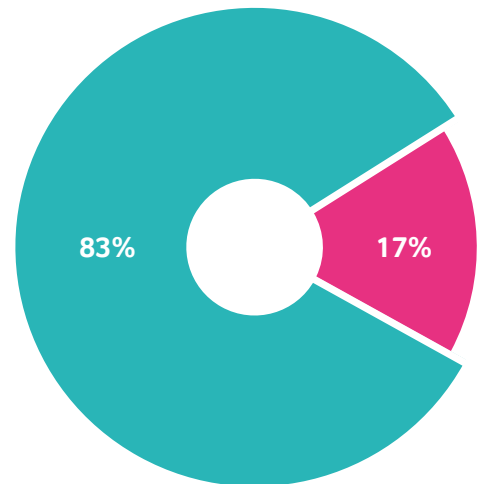


## Our income comes from a wide range of sources

Voluntary income (donations and legacies) is our most important income source – 69% of total income. It is our long-term aim to reduce reliance on this area by increasing sales from new income streams – both trading activities and veterinary activities.

## 83% of your voluntary income was available for our mission

Raising voluntary income requires significant investment, but we work hard to keep costs low. The cost was 17p per £, compared to 16p last year.



## How much did we spend on our mission?

We increased the level of spending on our mission by £5.6 million (8.8%) to £69.1 million in 2014. We contract some services to local private veterinary practices in order to increase the reach of our work in a cost-efficient way. We are increasing the promotion of responsible pet ownership and growing preventive services to improve pet wellbeing.

# Where PDSA is now

## Chairman's letter

I'm delighted and honoured to have been elected Chairman in 2014. It is a significant and challenging responsibility but I look forward to undertaking this role during an exciting period for PDSA. My first task is to thank my predecessor and fellow Trustee Michael Bolton for his long service as Chairman, during which time PDSA has developed and expanded its core mission to care for the pets of people in need. Michael made a remarkable contribution to PDSA over a period of 17 years.

We achieved much in 2014 and some highlights were:

- Opening a new PDSA Pet Clinic in Margate, The Frank and Ethel Fright Centre, thanks to the generosity of local supporters Eddie and Lillian Fright – this increases the number of people able to access our services in north Kent.
- Commencing the build of a much-needed replacement Pet Hospital in the Birmingham area at a site in Oldbury, The Marian and Christina Ionescu Centre of Surgical Excellence, which will open in 2015.
- Continuing to implement new technology, upgrading our communications and systems infrastructure, which will continue into 2015.
- Working with our people to develop a common set of values to guide us in our work.
- Strengthening the PDSA Animal Awards Programme with the launch of a new PDSA Order of Merit.

We also embarked upon a new strategy to build awareness and understanding of the charity's work to support its fundraising activities, which saw the charity refresh its identity and marketing activity, including the launch of a TV advertising campaign. The decision to develop and invest in this new strategy to increase awareness and future income came after market research revealed that the significant role

PDSA plays in society is not well known or understood by the wider public.

Our aim in undertaking this work is to secure a strong, long-term future for PDSA so we can do even more to help pets through our programmes for education and prevention, as well as developing our core treatment activities.

At the end of the year, we presented our fourth *PDSA Animal Wellbeing (PAW) Report* and launched The Big Pet Survey, both in conjunction with YouGov, which generated record media coverage. The *PAW Report* had a focus on aggressive behaviour in dogs and obesity in pets as two of the most serious issues facing our pet nation; it also provided a platform from which to discuss a range of issues, including awareness of the Animal Welfare Acts, online pet sales and the costs of pet ownership.

We are ever mindful of the UK economy, which has shown improvement, but remains a challenging financial environment. So, I'm very pleased that we were able to generate a record level of income and also spend a record £69.1 million on our mission and public benefit to provide our services to those communities in most need of support. This benefit is unique: treating 387,000 pets and providing 2.23 million free PDSA Pet Hospital treatments. Yet with no central government or National Lottery funding, every penny is raised by public support, which is a testament to our pet-loving nation.

During 2014 we established a Remuneration Committee to oversee the important areas of remuneration policy

and senior executive pay. In 2015 we will be looking at our total remuneration strategy including pay and benefits. This review will encompass the significant and continuing challenges presented by our pension arrangements as described fully elsewhere in this report, so as to ensure these arrangements remain appropriate and affordable.

Finally, I'd like to share our values that I referred to earlier, as these give a great insight into what makes PDSA today. It has three headline parts:

- Head and Heart – we provide expertise with understanding in all we do
- Better Together – we can't do this alone; we can achieve more if we work in partnership with everyone who touches the life of a pet
- Passion with Purpose – we are driven in our dedication to ensure a world where no pet suffers.

On behalf of Council, I'd like to give our warmest thanks both to all of our staff and volunteers who are living these values and helping us to succeed in our mission, and also to everyone who supports us: as customers, by working with us, or by making generous donations of time and money.



John Smith  
Chairman



# Our strategic goals

## Meeting our goals

### Maintaining PDSA services

#### Replacement of existing PDSA Pet Hospitals

Our programme of replacing existing PDSA Pet Hospitals is necessary to ensure that they remain fit for purpose. In 2014 this continued with the commencement of construction for the replacement of the Birmingham (Quinton) PDSA Pet Hospital, and this will be completed in 2015.

We have secured land in the northwest of England to replace and relocate our service provision in the Manchester area. Construction should begin, subject to funding, in early 2016.

Our partnership with the private veterinary practice, the Best Friends Group, was transferred from our Northampton Pet Hospital to their newly acquired premises in Northampton, with our eligible clients subsequently receiving our service through the PDSA Pet Practice model.

### Expanding PDSA services

#### Numbers of animals treated

We treated 387,000 sick and injured animals through PDSA Pet Hospitals, Clinics, Practices and the PDSA Pet Treatment Fund. This was a 1.5% decrease on 2013 and is due to lower demand within our PDSA Pet Practices, while demand in PDSA Pet Hospitals has grown by 0.8%. We anticipate that we will see growth in the demand for our services in 2015.

#### PDSA Pet Clinic opportunities

We will continue to investigate Pet Clinic opportunities in order to support PDSA Pet Hospital operations in locations where this could help expand service availability in a cost-effective way. In 2014 we opened a new service in Margate, The Frank and Ethel Fright Centre. Over 20,000 additional households are now able to use this service in north Kent.

### Coverage of eligible households

With 51 PDSA Pet Hospitals and PDSA Pet Clinics, along with 185 locations served by 383 contracted PDSA Pet Practices the direct coverage of PDSA eligible households is over 78%. Households with neither a PDSA Pet Practice nor PDSA Pet Hospital or PDSA Pet Clinic can access PDSA's Pet Treatment Fund and through this provision we cover 100% of eligible households throughout the UK.

### Optimising use of veterinary resources

We spent £69.1 million across all of our services 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.

We have effective tendering processes, notably for pharmaceuticals, out-of-hours

services and laboratory services, which mitigate the effects of cost inflation in these areas. Our focus on the range of consumable veterinary products available in PDSA Pet Hospitals resulted in reduced treatment costs to provide the veterinary service, allowing our resources to be used to help more pets.

The Central Dispensary carried out approximately 40,000 product dispenses that previously would have been

We opened a new service in Margate, The Frank and Ethel Fright Centre



# Meeting our goals

undertaken in PDSA Pet Hospitals, allowing better use of resources and our veterinary teams and providing an improved customer service level.

During 2014 we continued to develop and test a new computerised system, VetSpace, which will replace our ageing computerised clinical records system, PremVet. We have launched the system at two pilot sites, Coventry PDSA Pet Hospital and The Frank and Ethel Fright Centre in Margate. The system is now considered to be fit-for-purpose and we will roll it out across our sites during 2015.

## Promoting pet health

### Preventive services

Preventive services is now a significant part of our activities. Income increased by 19% to £6.9 million with 144,000 preventive procedures performed and 447,000 preventive products sold. We continue to promote preventive services as part of our responsible pet ownership message and in 2015 aim to increase preventive sales to £7.2 million, helping eligible owners to keep their pets healthy.

We successfully introduced our first preventive bundled product offering called the 'Perfect Start', which resulted in 18,000 bundle sales and significantly contributed to the growth in preventive procedure and product sales.

We took part in the Dogs Trust-funded free microchip promotion and as a result of this national initiative provided three times more microchips than in previous years.

Our collaboration with Dogs Trust and Cats Protection separately resulted in more than 7,500 bitch spays and dog castrations and more than 18,000 cats being neutered, to a combined value of £660,000.

### Pet health

In 2014 we presented our fourth *PDSA Animal Wellbeing (PAW) Report* in conjunction

with YouGov. The launch generated record coverage of over 340 million 'opportunities to see' through all media channels with a focus on aggressive behaviour in dogs and obesity in pets as two of the most serious issues facing our pet nation. This survey covered four of the 'Issues in Focus' and provided a platform to discuss a range of issues including awareness of the Animal Welfare Acts, online pet sales and the cost of pet ownership. The coverage was also used to launch The Big Pet Survey in conjunction with YouGov, a UK-wide online survey of pet owners of a wide range of species including guinea pigs, chinchillas, birds and reptiles, which will form part of the 2015 *PAW Report*.

Findings from the *PAW Report* supported all our pet health PR campaigns throughout the year, the most successful once again being Pet Fit Club. This enabled us to secure a TV series *Fat Pets: Slimmer of the Year*, highlighting the success stories from the competition and reached a large audience with educational messages on pet diets.

Our new initiative, PetWise for Dogs was successfully piloted for six months at four of our PDSA Pet Hospitals with 2,355 Pet Wellbeing MOTs undertaken, 1,489 dogs microchipped, and 27% of dogs going on to receive charitable treatment for illnesses or diseases detected through this screening process. This has led to funding to support a cat version of the programme, PetWise for Cats, generously sponsored by the Marchig Animal Welfare Trust in memory of Jeanne Marchig, which has been launched across all 51 PDSA Pet Hospitals offering free MOTs, neutering and microchipping for all our feline patients.

Following a successful application, the players of People's Postcode Lottery awarded us a grant to fund our educational initiatives, allowing our Community & Education team to implement their Community Engagement strategy in key regions across the UK. They worked with Local Authorities and Housing Associations

to help over 60,000 children learn about pet care through schools workshops; they improved the wellbeing of 4,429 dogs through Pet Wellbeing MOTs on board the two new PetCheck vehicles, generously funded by Robert Breckman in memory of his wife Julie Breckman.

The team microchipped 1,647 dogs, gave advice consults to a further 1,294 owners, and carried out 17 'Protect Your Pet' days, working in communities alongside other animal charities to provide preventive care.

Our collaborative work continued through our involvement in the Animal Welfare Education Alliance (AWEA), Animal Welfare Network Wales, the Cat Group, Rabbit Awareness Week stakeholder group, the Cat Population Control Group, the Essex Dog Forum, Merseyside Dog Forum, the LINKs Group, the All Party Group for Animal Welfare (APGAW) and the sponsorship of a CEVA Animal Welfare Award.





We launched new pet health initiatives PetWise for Cats and Dogs

## Income

### Marketing income

Marketing income in 2014 was £16 million derived from a range of marketing and fundraising activities. PDSA continued to benefit from a number of large major gifts, thanks to the generosity of a number

of donors, particularly in support of our capital projects such as the new Birmingham (Quinton) PDSA Pet Hospital and the new Pet Clinic in Margate, The Frank and Ethel Fright Centre. Additionally, funding has been received to support a range of pet health initiatives across the UK including PetWise for Cats programme supported by the Jeanne Marchig Animal

Welfare Trust. Furthermore PDSA was delighted to be awarded £550,000 from players of People's Postcode Lottery to support our pet health work in communities across the UK.

2014 saw significant reorganisation and investment in PDSA's marketing capability to create a more customer-

## Meeting our goals

centric approach to supporters and the introduction of a more integrated approach to marketing across all channels. New income stream development commenced with the launch of a suite of new pet insurance products.

2015 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 areas of focus. A new fundraising strategy will be implemented to build on the recent growth in corporate income and strengthen the major gifts programme. Following the review of marketing strategy in 2014 a number of new products and fundraising propositions are being developed for implementation in 2015 to grow income in both existing and new income streams. All of this activity will be supported by the

implementation of a new digital platform and digital marketing activity. We will continue our work in developing tailored communication and offers to attract and retain supporters and maximise our income throughout their lifetime.

### *Client contributions*

We ask our clients to make a voluntary contribution for their pet's treatment. These contributions are an invaluable source of income, which increased by 5.2% year-on-year to £8.9 million in 2014. The average amount contributed per pet increased by 4.4%.


### *Commercial veterinary income*

In addition to supplying medication to our 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 £284,000. Similar provision to carers of Guide Dogs was initiated in 2014, generating £20,000. Total Central Dispensary income increased by 15.7% to £304,000, with further growth planned in 2015.

We launched our online trading platform 'MyVetStore' and future growth from this channel is targeted for 2015 now that the underpinning processes and procedures have been tested.

We generated £84,000 of income providing out-of-hours service for local private practice clients at the Basildon PDSA Pet Hospital, The Coco Markus Centre, through PDSA PetAid Enterprises Limited. This contributes towards the running cost of the charitable service.



**Client contributions  
are an invaluable  
and increasing  
source of income**



## A refresh and launch of an updated PDSA brand to address declining awareness levels and respond to extensive research

which has provided a reduction in the time and resource required to produce quarterly financial forecasts and annual budgets; it has also improved the timeliness and efficiency of monthly financial reporting.

### Resources

We developed and launched our values, further engaged our people with our strategic plans and progressed our leadership development activities. We continued to review our structures so that we are able to respond to current and future challenges and our marketing team was strengthened as part of our overall strategy to make PDSA better known, better understood and more loved by a wider audience.

### Information systems

During 2014 the majority of our sites were equipped with digital telephony and more powerful communication lines. Infrastructure security is being enhanced through system servers located in offsite third-party data centres. The full transition of this investment in the organisation's infrastructure will be completed during 2015. The new clinical system has been successfully trialled in 2014 and we plan an intensive rollout programme for all PDSA Pet Hospitals and PDSA Pet Clinics for 2015.

### Retail

The income we achieved through the retail network in 2014 was adversely affected by the strategy to release the less profitable shops from our estate when lease terminations or break clauses allowed. During 2014 there was an overall 19-shop reduction in the size of the retail estate.

Trading conditions have been challenging, with a decline in the quantity of good quality donated goods and a significant fall in the price of rag that is also an important source of income. We implemented strategic range planning of new goods in 2014 and will continue this in 2015.

During the last quarter of the year, the retail estate underwent a significant refresh, including new branding, exterior shop signage, interior works, till counters and conversion counters. In 2015, it is expected that the brand launch and shop refresh will contribute significantly to income growth through increased awareness of PDSA and therefore an increased footfall.

### Trading

Our focus in this area has been to develop and launch a number of new products in our pet insurance range to offer wider consumer choice with a range of cover levels. It is anticipated that these new products will underpin our plans for growth in insurance sales in 2015.

We have continued to see sales growth through our eBay and Amazon online shops and look to expand our online offer with the launch and development of our new digital platform from 2015 onwards with greater integration between all channels.

### Legacy income

Legacy income continues to be the largest single source of income for the charity. We achieved an income of £44.2 million, an 8.8% increase year-on-year. This resulted from a combination of improved property and investment markets; the principal contributors of estate income.

### Awareness

#### Awareness and media coverage

2014 was a significant year for PDSA with the refresh and launch of an updated PDSA brand to address declining awareness levels and respond to extensive research, which identified that to broaden its appeal and support growth in income PDSA needed to make itself better known, better understood and more loved by a wider audience.

The refreshed brand identity aims to differentiate and distinguish us and to make it clear who we are and how the public can help and support us with the introduction of a new positioning line 'Help a vet help a pet'. The new identity was implemented across the retail and Pet Hospital network in late 2014.

We are also adopting a new marketing strategy, which will enable us to raise awareness and understanding, broaden our reach and generate the vital income we need. We launched our new strategy with a TV-led marketing campaign in December 2014 which reached over 30 million adults on its first day and generated significant social media interest.

In 2014 we delivered a diverse range of Public Relations projects and campaigns including the *PAW Report*, the Big PetCheck, Pet Fit Club and three medals as part of our Animal Awards Programme, which produced a record year of coverage and engagement opportunities across the key media channels of TV, national and local press, and radio and social media. These included extensive preparations for our new brand activation and five-part ITV series around Pet Fit Club.

### Shared services

#### Financial management

We have continued to benefit from our financial planning and analysis software,

# 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, shapes policies and approves major expenditure programmes but delegates certain decisions to subcommittees.

The total number of Trustees is currently 10 and they are listed opposite.

Trustees are experienced leaders from diverse backgrounds who provide valuable experience to guide the charity.

### *Committees*

There are four committees and each has specific terms of reference. The Finance & Investment Committee reviews the Fund Managers' performance, the budget and most other financial matters. The Special Purposes Committee [see details of members on page 37] approves legal agreements. The Audit & Risk Committee considers risk and internal and external audit matters, 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 the veterinary service.

### *Remuneration Committee*

PDSA is a large organisation with over 4,600 volunteers and 2,200 employees. Working together, it is the combined effort

of all our people that delivers the impact of our mission for the communities within which we work.

For our employees, PDSA's remuneration policy is set to attract and retain employees with the knowledge, skills and personal competencies required for the effective performance of their role.



To strengthen its governance arrangements for remuneration, in 2014 PDSA established a Remuneration Committee, as a subcommittee of Council. The role of the Remuneration Committee is to determine the remuneration policy for PDSA's employees and, in particular, the total remuneration packages of the senior executives and to recommend these to Council. In determining senior executive remuneration, regular benchmarking is undertaken against other charity and private sector organisations of similar size, complexity and profile using established salary surveys to assist the benchmarking process.

It is the view of the Remuneration Committee and supported by Council, that, given the size, complexity and substantial public benefit provided by PDSA on a national scale, the remuneration of its senior executives is both affordable and reasonable when compared to other similar organisations.

The Remuneration Committee has noted the recommendations of the National Council for Voluntary Organisations (NCVO) on charity senior executive pay and supports the move to greater transparency. As a recently formed subcommittee of Council, the Remuneration Committee is in the process of establishing its objectives and in 2015 it plans to more formally consider the NCVO recommendations.

### *Trustee recruitment and training*

Council appoints Trustees 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.

We familiarise new Trustees with the workings of PDSA, Council Policies & Procedures and Governance, through a comprehensive induction programme consisting of visits to Head Office, PDSA Pet Hospitals and our retail Shops, together with in-depth meetings with directors and key members of staff. We provide ongoing training and support. PDSA Trustees also follow a formal programme of visits to Pet Hospitals and Shops, ensuring good coverage of all our locations. We select third parties to provide specialist seminars and lectures, which Trustees attend as appropriate, covering subjects such as charity law and governance, pension law and administration, and investment practice.

### *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

### Chairman

Mr John Smith, FCA\* †  
(from January 2015)

Mr Michael Bolton, FCA\*  
(until December 2014)

### Deputy Chairman

Mr John Murphy  
(from January 2015)

Brigadier (Ret'd) Andrew Warde, CBE,  
BVetMed, MSc, MRCVS\*  
(resigned 19 June 2014)

### Other Trustees

Mr Richard Clowes, BSc MI Mech E\* †

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

Mr Gary Ennis, BSc\*  
(resigned 14 January 2015)

Mr Noel Guilford, BA, FCA\* #

Mr Roger Hills\*

Ms Laurie Mayers, BA, MA\* †

Mr John Miller, BSc, MCIPD, AFBPsS †

Mr Mike Radford, OBE, LLB#  
(resigned 1 May 2014)

Mrs Carole Pomfret MA ACA#  
(elected 19 June 2014)

\* Member of the Finance and Investment Committee

# Member of the Audit & Risk Committee

† Member of the Remuneration Committee



# Structure and governance

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.
- 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.

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 aware of the new charity accounting framework, which has been developed to meet the requirements of Financial Reporting Standard 102 (FRS102). The new charity SORP is applicable for accounting periods from 1 January 2015 and the Trustees will be ensuring future compliance.

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.

## Risk

We have established management processes to mitigate risks that would prevent us from fulfilling our 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 & Risk 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 44% of our total income and there is a risk that reductions in this income source could materially affect our 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 our 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 PDSA Pet 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 managed. However, it recognises that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

*We have established management processes to mitigate risks that would prevent us from fulfilling our strategic goals*

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)

# People

Our people are vital to the success of PDSA. We aim to recruit and retain high-calibre, dedicated people, engaging and enabling them to fulfil their potential to improve organisational performance.

We worked with our people to develop and launch our values. Our values articulate how we will deliver PDSA's mission through our behaviours and interactions with the general public and each other. These values are:

- **Head and Heart** – we combine expertise with understanding to help deliver a happier and healthier future for pets and their owners
- **Better Together** – we can achieve more if we work in partnership with everyone who touches the life of a pet
- **Passion with Purpose** – our dedication to creating a world where no pet suffers, drives us continually to deliver more for every pound we're given.

The values were launched at our annual Leadership Conference and our leaders used a range of tools to help their teams

understand their importance and began to embed them in their everyday work. We launched PDSA's new brand to our people through a series of roadshows and briefings and further reinforced the importance of our values in delivering our brand promise.

We have commenced an organisation-wide programme to engage all our people with our strategic plans and values. An integral part of this programme is ensuring all our people practices are aligned with our values, including our policies and procedures, performance and development reviews, recruitment and selection activities, and induction and development programmes.

Restructures were completed within Retail and Human Resources & Development so that we are able to respond to current and future challenges and our marketing team was strengthened as part of our overall strategy to make PDSA better known, better understood and more loved by a wider audience. Meanwhile, the restructure programme within Veterinary, which had begun in 2013, was also completed.



*Our new values articulate how we will deliver PDSA's mission through our behaviours*

In light of the values launch and structural changes, together with PDSA's desire to develop its employee voice further, a review of our Staff Consultation & Communication (SCC) Groups began involving employee representatives. Proposals to reshape PDSA's communication and consultation framework will be shared with employees early in 2015.

PDSA's leadership transformation programme continued with focus on the development of skills in managing performance. Further development is planned for 2015 and beyond.

Introduced in 2013, PDSA's graduate programme achieved a 100% retention rate in its first year. We continued to invest in the programme during 2014 with a further seven graduates welcomed within Veterinary. Indeed, interest in the programme continues to grow with an overall increase in number of applicants during the year.

Over 4,600 volunteers support PDSA throughout the UK by helping in the Pet Hospitals, Shops, fundraising groups and offices. Our biannual 'Volunteer Investment and Value Audit' shows that PDSA's volunteers donated 1.3 million hours in 2014, saving the organisation £12.7 million in employment costs. Furthermore, for every £1 that PDSA invests in volunteering, we receive £21 back in value – or a 2,100% return on investment. PDSA continues to hold the prestigious Investing in Volunteers (IiV) quality standard, demonstrating the organisation's commitment to excellence in all aspects of volunteer management.

# Financial review

## Overview

### Another record year for income

The economy has shown signs of improvement in 2014, but it remains a challenging environment with significant competition for donations and sales in the charity sector.

Despite this we achieved record income of £99.3 million (2013: £96.6 million) and spent a record £69.1 million on our mission. We also introduced our new strategy to build awareness and understanding of PDSA's work and invested £2.6 million on the implementation of this new strategy through a refresh of the Shops and Pet Hospitals and the launch of a TV advertising campaign to promote higher levels of awareness and generate new income.

Overall there was a deficit in net incoming resources before other recognised gains

and losses of £4.1 million (2013: £0.6 million deficit). In addition to this, we had a gain from our listed investment portfolio of £1.6 million (2013: £4.6 million).

#### Income and costs

We receive no central government or National Lottery funding for our veterinary services and therefore we rely on generating our income from our supporters by voluntary and trading activities. In the table below, we present the financial results in a different way, which we believe gives more clarity on the sources of net income.

Voluntary net income includes legacy income and donations. Trading-related net income includes gaming products, sales from 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 higher total cost per pound of raising its income than many charities because of the wide mix of sources.

The income we receive from donations and legacies is critical and so we spend appropriate monies marketing and managing in this area. The table above shows that the cost of raising voluntary income overall from our supporters increased slightly in 2014 to 17p per pound (£).

Legacy income in 2014 was a record £44.2 million and delivered around 67% of net income (2013: 65%). However, it remains our longer-term aim to reduce

our reliance on legacies by growing other income streams. We aim to do this by growing our supporter base, through promotion and using innovative approaches to generate donations, as well as maintaining and growing trading income in Retail, Direct Marketing and from veterinary commercial activities.

We have continued to grow our sales of preventive services and these increased by 19% to £6.9 million. Also, the contributions from clients who use our Pet Services increased by 5.2% to £8.9 million.

In contrast, our Retail division's results continue to be affected by difficult trading conditions. Donated and new goods sales decreased by 6% and 18% respectively, compared to 2013, with particular challenges around sourcing quality donated stock. However, we have continued to increase the income from Gift Aid (and target further growth) and operating costs have been kept under tight control.

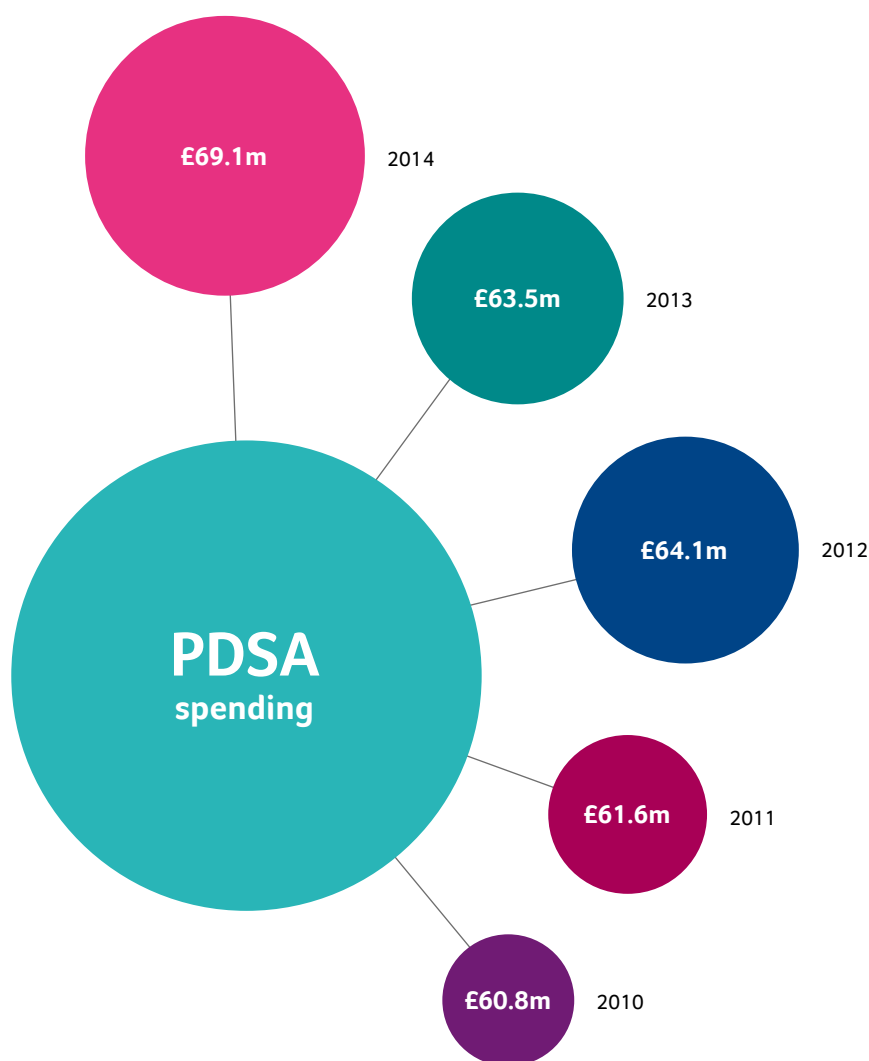
To address performance in Retail, the division was reorganised towards the end of the year and the shops have been significantly refreshed as part of our new strategy. We plan to increase new goods sales through online channels and are considering alternative shop formats and the way we select locations for our retail Shops.

We increased the expenditure on charitable activities by 8.8% to £69.1 million compared to 2013. This was due to the significant growth of preventive product

	2014 £ million	cost/£	2013 £ million	cost/£
Voluntary net income	56.6	0.17	53.8	0.16
Trading-related net income/(deficit)	(0.4)	1.02	1.3	0.95
Asset-related net income	2.1	0.03	2.2	0.05
Preventive services gross income	6.9	0.75	5.8	0.76
Net incoming resources available for charitable activities	65.2	0.37	63.1	0.39



## Spending on charitable activities



Legacy  
Charitable spending  
Investment funds  
Client contributions  
Preventive sales



Retail income  
Actuarial loss

sales, promoting pet health initiatives, and funding the activities of PetWise for Dogs and PetWise for Cats.

Governance costs including audit fees, the internal audit team and trustee costs represented 0.2% of incoming resources (2013: 0.2%).

There was an actuarial loss of £12.9 million (2013: £6.8 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, in particular the significant fall in bond yields during 2014 that have increased the valuation of scheme liabilities.

However, these external factors affect all defined benefit pension schemes and the impact of the actuarial loss in 2014 is not unique to PDSA. We have taken further steps to manage the liabilities of the scheme and in April 2014 the scheme purchased an insurance policy with Aviva Plc in respect of the liabilities of a cohort of pensioner members (pensioner buy-in policy) to provide greater certainty to the scheme on the future liabilities of these pensioner members. It will be important in future to ensure the scheme remains affordable while maintaining benefits for both staff and pensioners.

# Investments, reserves and pensions

At the end of 2014 our investments totalled £74.3 million (2013: £73.0 million) and this is primarily an investment portfolio of externally managed investment funds, along with some investment properties managed by the charity, and interest-bearing deposit accounts.

We delegate day-to-day management of the investment portfolio to two professional fund managers, with the consent of the Charity Commission. We have an ethical investment policy that precludes investing directly in those organisations involved in testing on animals for cosmetic and other non-medical purposes. Our investment objective is to preserve capital and is subject to the charity's ethical investment policy. Performance is measured on a total return basis and the managers' performance is regularly reviewed by the Finance & Investment Committee.

Our two investment managers are Newton Investment Management and Standard Life Investments and they use their pooled funds, the Newton Real Return Fund and Standard Life Global Absolute Return Strategies Fund, rather than direct investments. These funds provide greater stability than direct market investments and 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 our charitable services.

Investment markets continued to be favourable in 2014, and overall there was a total return on investment funds of 4.3% (2013: 8.3%). During the year, £3 million was drawn down from the investment portfolio to support operating cash requirements.

Investment properties are revalued each year. Five properties were reclassified as investments which were previously fixed assets. The value at 31 December 2014 was £2.2 million (2013: £1.0 million).

## *Reserves and going concern*

Council reviews its reserves policy regularly as part of its business planning process. It seeks to ensure that sufficient reserves are retained 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. We have adopted the 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 by defined risk factors. Our contingency planning determines the minimum level of free reserves that we consider necessary to protect us from any prolonged financial risks and considers any measures that may need to be addressed should reserves fall below agreed levels.



**Investment  
returns continued  
to be favourable**



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

On this basis, the minimum level of free reserves is set at £48 million. At 31 December 2014 the charity had total free reserves of £68 million (2013: £67 million) in addition to the contingent asset of the legacy 'pipeline' which is valued at £16 million. In addition, our investment funds have sufficient liquidity to provide the flexibility to manage any potential downturn in income. The charity also has a £5 million unsecured overdraft facility with Lloyds Bank plc.

Council regularly reviews financial forecasts and projections, taking account of the potential impact on future service delivery. To assist this review, cash forecasting is an important element of group financial management. Each year, 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 has been closed to new employees since 2006 and had a deficit, as calculated under the provisions of FRS17, of £27.5 million at 31 December 2014 (2013: £14.7 million). 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 include the provision of additional employer funding of £1.1 million per year.

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.

# 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 us to be unable to afford the service of a private veterinary surgeon.

We have continued to work with the Charity Commission to enable us to revise our charitable objects. This is an exciting prospect for us, allowing the potential for greater future public benefit and impact; but it is a significant change that will take some time to complete and communicate.

Pet owners who receive either Housing Benefit or Council Tax Benefit are eligible for our veterinary services if they live within a defined catchment area around each PDSA Pet Hospital, PDSA Pet Clinic or PDSA Pet Practice. We treat all popular domestic pets, for example, dogs, cats and those described as 'small furrries'. We will monitor proposals by the government for changes to the benefits structure that might affect the owner's eligibility for our services.

Without our work 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. We provide vital veterinary services for those communities in most need of support and spent £69.1 million in providing this service in 2014. We treated 387,000 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.

We have been in contact with the Charity Commission for Northern Ireland. Its registration will be in stages and we understand that cross-border charities will be called upon by the Commission later in the process.

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.

### 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 Pet Hospitals located in Scotland and these, along with the private PDSA Pet 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 2014 from PDSA shops, fundraising groups and PDSA Pet Hospitals in Scotland amounted to £4.5 million (2013: £4.5 million).

Approved by Council and signed on its behalf by:



John Smith  
Chairman  
30 April 2015



**We have continued to work with the Charity Commission to enable us to revise our charitable objects**



# 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 2014, 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

[frc.org.uk/auditscopeukprivate](http://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 2014 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: 20 May 2015

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

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



# Consolidated statement of financial activities

(incorporating an income and expenditure account)

				£'000	
For the year ended 31 December 2014	Note	Unrestricted funds	Restricted funds	Total 2014	Total 2013
<b>Incoming resources</b>					
From generated funds					
Voluntary income	1,2	61,580	6,835	<b>68,415</b>	64,366
Activities for generating funds	2	21,761	-	<b>21,761</b>	24,054
Investment income	2	2,007	-	<b>2,007</b>	1,769
From charitable activities					
Preventive services		6,866	-	<b>6,866</b>	5,777
From other sources					
Net gain on disposal of fixed assets		206	-	<b>206</b>	596
<b>Total incoming resources</b>		<b>92,420</b>	<b>6,835</b>	<b>99,255</b>	<b>96,562</b>
<b>Resources expended</b>					
Cost of generating funds					
Costs of generating voluntary income	3	11,810	-	<b>11,810</b>	10,535
Fundraising trading: costs of goods sold and other costs	3	22,146	-	<b>22,146</b>	22,818
Investment management costs	3	67	-	<b>67</b>	119
<b>Total costs of generating funds</b>		<b>34,023</b>	<b>-</b>	<b>34,023</b>	<b>33,472</b>
<b>Net incoming resources available for charitable activities</b>		<b>58,397</b>	<b>6,835</b>	<b>65,232</b>	<b>63,090</b>
<b>Charitable activities</b>					
PDSA Pet Hospitals	3	49,686	4,535	<b>54,221</b>	49,738
Contracted Pet Services	3	6,923	539	<b>7,462</b>	7,500
Promotion of responsible pet ownership	3	1,947	282	<b>2,229</b>	1,814
Preventive services	3	5,180	-	<b>5,180</b>	4,413
		<b>63,736</b>	<b>5,356</b>	<b>69,092</b>	<b>63,465</b>
Governance costs	3	195	-	<b>195</b>	225
<b>Total resources expended</b>		<b>97,954</b>	<b>5,356</b>	<b>103,310</b>	<b>97,162</b>
Net outgoing resources before other recognised gains and losses					
		(5,534)	1,479	<b>(4,055)</b>	(600)
Gains on investment assets	7	2,690	-	<b>2,690</b>	4,656
Actuarial loss on defined benefit pension	19	(12,900)	-	<b>(12,900)</b>	(6,800)
<b>Net movement in funds</b>		<b>(15,744)</b>	<b>1,479</b>	<b>(14,265)</b>	<b>(2,744)</b>
Reconciliation of funds					
Total funds brought forward		87,990	6,466	<b>94,456</b>	97,200
Transfers between funds		5,034	(5,034)	-	-
<b>Total funds carried forward</b>	14	<b>77,280</b>	<b>2,911</b>	<b>80,191</b>	<b>94,456</b>

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

# Balance sheets

		£'000			
		Group		Charity	
At 31 December 2014	Note	Total 2014	Total 2013	Total 2014	Total 2013
<b>Fixed assets</b>					
Tangible assets	6	29,939	29,251	30,937	30,227
Investments	7	74,341	73,028	74,341	73,028
<b>Total fixed assets</b>		<b>104,280</b>	102,279	<b>105,278</b>	103,255
<b>Current assets</b>					
Stocks – finished goods and goods for resale		1,313	1,486	687	637
Debtors	8	13,376	13,178	15,191	14,411
Investments	9	19	19	19	19
Cash at bank and in hand		67	1,857	62	744
<b>Total current assets</b>		<b>14,775</b>	16,540	<b>15,959</b>	15,811
Creditors – amounts falling due within one year	10	<b>(10,678)</b>	(8,969)	<b>(11,494)</b>	(7,873)
<b>Net current assets</b>		<b>4,097</b>	7,571	<b>4,465</b>	7,938
<b>Total assets less current liabilities</b>					
		<b>108,377</b>	109,850	<b>109,743</b>	111,193
Creditors – amounts falling due after more than one year	11	(25)	(20)	(25)	(20)
Provisions for liabilities	12	(643)	(656)	(643)	(656)
<b>Net assets excluding pension liability</b>		<b>107,709</b>	109,174	<b>109,075</b>	110,517
Defined benefit pension scheme liability	19	<b>(27,518)</b>	(14,718)	<b>(27,518)</b>	(14,718)
<b>Net assets including pension scheme liability</b>		<b>80,191</b>	94,456	<b>81,557</b>	95,799
<b>The funds of the charity</b>					
Restricted permanent endowment fund	14	100	-	100	-
Restricted income funds	14	2,811	6,466	2,811	6,466
Unrestricted income funds					
Unrestricted income funds	14	65,915	65,765	67,281	67,108
Designated funds	14	38,883	36,943	38,883	36,943
Unrestricted funds excluding pension reserve		<b>104,798</b>	102,708	<b>106,164</b>	104,051
Pension reserve	14	<b>(27,518)</b>	(14,718)	<b>(27,518)</b>	(14,718)
<b>Total unrestricted funds</b>		<b>77,280</b>	87,990	<b>78,646</b>	89,333
<b>Total charity funds</b>		<b>80,191</b>	94,456	<b>81,557</b>	95,799

Approved by Council and signed on its behalf on 30 April 2015.



John Smith  
Chairman

# Consolidated Cash Flow Statement

		£'000	
For the year ended 31 December 2014	Note	2014	2013
Net cash outflow from operating activities	a	(1,216)	(825)
Returns on investment and servicing of finance			
Interest received		7	17
Interest paid		(59)	-
Dividends received		1,514	1,249
Net cash inflow from returns on investment and servicing of finance		1,462	1,266
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,508)	(3,659)
Sale of tangible fixed assets		289	948
Purchase of investments		(1,505)	(1,144)
Pension deficit contributions		(1,349)	(1,257)
Sale of investments		3,002	3,648
Net cash (outflow)/inflow from capital expenditure and financial investment		(3,071)	(1,464)
Decrease in cash in the year		(2,825)	(1,023)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		(2,825)	(1,023)
Net funds at 1 January		1,876	2,899
Net funds at 31 December	b	(949)	1,876

## Notes to consolidated cash flow statement

a. Reconciliation of net incoming resources to net cash flow from operating activities	2014	2013
Net outgoing resources before recognised gains and losses	(4,055)	(600)
Investment income	(1,521)	(1,266)
Interest expense	59	-
Net gain on disposal of tangible fixed assets	(206)	(596)
Depreciation	2,617	2,384
Movements on investments	-	81
Decrease in pension provision excluding actuarial loss	1,249	50
Decrease in stocks	173	271
(Increase) in debtors	(198)	(1,564)
Increase in creditors	679	596
(Decrease) in provisions	(13)	(181)
Net cash outflow from operating activities	(1,216)	(825)

b. Changes in cash and current asset investments	2013	Cash flow	2014
Current asset investments	19	-	19
Cash at bank and in hand	1857	(1,790)	67
Overdraft	-	(1,035)	(1,035)
Total	1,876	(2,825)	(949)



# Notes to the financial statements for the year ended 31 December 2014

## 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 19 and elsewhere in the financial statements. The Trustees have concluded that no matters have come to their attention that 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 2014.

### 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 £15,000, 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.

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 at the point of recognition, and are released to unrestricted funds on the later date of completion of the fixed asset, or the obligation being met.

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

# Accounting policies

The charity has a policy to conduct impairment reviews in accordance with the requirements of FRS11.

## Investment properties

In accordance with SSAP19 these properties are revalued. Revaluations are undertaken periodically by professionally qualified surveyors on the basis of open market value and are revised in subsequent years by reference to published indices.

## 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 share capital of each company.

## 2. Incoming resources from generated funds

	£'000	
	2014	2013
<b>Voluntary income</b>		
Legacies receivable	44,165	40,612
Donations and gifts	24,250	23,754
	<b>68,415</b>	<b>64,366</b>
<b>Activities for generating funds</b>		
Lottery and similar income	3,127	3,478
Sale of donated goods*	15,567	16,485
Sale of retail new goods	1,699	2,075
Other sales income	1,368	2,016
	<b>21,761</b>	<b>24,054</b>
<b>Investment income</b>		
Listed securities – dividends	1,514	1,249
Interest on cash held as part of investment portfolio	1	4
Bank and other interest	6	13
Rents receivable	486	503
	<b>2,007</b>	<b>1,769</b>

\* 2014 includes income of £4,197,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid programme (2013: £4,343,000).

## 3. Total resources expended

				£'000
	Activities undertaken directly	Support costs allocated	2014 Total	2013 Total
<b>Costs of generating voluntary income</b>				
Legacies receivable	2,197	146	2,343	2,158
Donations and gifts	7,110	284	7,394	7,700
Raising public perception and awareness	1,995	78	2,073	677
	<b>11,302</b>	<b>508</b>	<b>11,810</b>	<b>10,535</b>
<b>Costs of generating trading income</b>				
Merchandising and charity Shop operating costs	18,521	1,938	20,459	21,255
Lottery ticket sales	1,629	58	1,687	1,563
	<b>20,150</b>	<b>1,996</b>	<b>22,146</b>	<b>22,818</b>
<b>Investment management costs</b>	53	14	67	119
<b>Charitable activities</b>				
PDSA Pet Hospitals	49,029	5,192	54,221	49,738
Contracted Pet Services	7,266	196	7,462	7,500
Promotion of responsible pet ownership	2,081	148	2,229	1,814
Preventive services	4,902	278	5,180	4,413
	<b>63,278</b>	<b>5,814</b>	<b>69,092</b>	<b>63,465</b>
<b>Governance costs</b>	183	12	195	225
	<b>94,966</b>	<b>8,344</b>	<b>103,310</b>	<b>97,162</b>

£'000

Support costs breakdown by activity	Human Resources	Property Services	Finance and Management	Information Technology	2014	2013
<b>Costs of generating voluntary income</b>						
Legacies receivable	58	-	65	23	146	134
Donations and gifts	47	-	208	29	284	266
Raising public perception and awareness	16	-	58	4	78	30
<b>Costs of generating trading income</b>						
Merchandising and charity Shop operating costs	545	613	544	236	1,938	1,927
Lottery ticket sales	6	-	48	4	58	52
<b>Investment management costs</b>						
	-	12	2	-	14	20
<b>Charitable activities:</b>						
PDSA Pet Hospitals	2,220	481	1,640	851	5,192	3,931
Contracted Pet Services	36	17	10	133	196	98
Promotion of responsible pet ownership	78	-	61	9	148	120
Preventive services	134	-	144	-	278	214
<b>Governance costs</b>						
	6	-	5	1	12	12
<b>Total support costs</b>	<b>3,146</b>	<b>1,123</b>	<b>2,785</b>	<b>1,290</b>	<b>8,344</b>	<b>6,804</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:		2014	2013	
Auditor's remuneration	audit fees charity	40	39	
	audit fees subsidiaries	7	7	
	non-audit fees charity	- tax services	-	5
		- other consultancy services	30	2
	non-audit fees subsidiaries	- tax services	5	5
		- other consultancy services	-	2
Irrecoverable VAT		3,495	2,624	
Depreciation – owned assets		2,617	2,384	
Operating leases – buildings		3,637	3,767	

## 5. Employees

	2014	2013
<b>Employment costs</b>		
Salaries	43,766	42,292
Social security costs	3,737	3,603
Employer's pension costs	5,651	4,274
Other staff costs	535	357
	<b>53,689</b>	<b>50,526</b>
<b>Average number of employees, calculated on a full-time equivalent basis</b>	<b>1,694</b>	<b>1,682</b>

	2014	2013
<b>Employment costs</b>		
The number of higher-paid employees whose emoluments were within the following scales was as follows:		
£60,001–£70,000	27	24
£70,001–£80,000	3	8
£80,001–£90,000	2	1
£90,001–£100,000	2	2
£100,001–£110,001	1	1
£110,001–£120,000	2	1
£140,001–£150,001	-	1
£150,001–£160,000	1	-

Twenty-six (2013: twenty-six) 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 (2013: six). Four of the staff are members of the PDSA GPP Auto Enrolment (2013: five).

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 £10,751 during the year for thirteen Council members (2013: £15,098 for twelve).

## 6. Fixed assets

	£'000								
	Assets under course of construction	Freehold land and buildings	Leasehold buildings		Pet Hospital land and buildings		Furniture fittings and equipment	Motor vehicles	Total
			Long lease	Short lease	Freehold	Long lease			
<b>Cost</b>									
At 1 January 2014	366	4,249	118	6,089	31,811	5,693	13,901	3,144	65,371
Reclassification	-	(136)	-	-	-	(337)	-	-	(473)
Additions	361	36	239	817	988	-	983	84	3,508
Disposals	-	(12)	(6)	(602)	-	(121)	(459)	(425)	(1,625)
<b>At 31 December 2014</b>	<b>727</b>	<b>4,137</b>	<b>351</b>	<b>6,304</b>	<b>32,799</b>	<b>5,235</b>	<b>14,425</b>	<b>2,803</b>	<b>66,781</b>
<b>Depreciation</b>									
At 1 January 2014	-	1,222	34	5,708	13,678	2,576	11,236	1,666	36,120
Reclassification	-	(38)	-	-	-	(315)	-	-	(353)
Charge for the year	-	95	8	91	1,213	167	557	486	2,617
Disposals	-	(11)	(5)	(592)	-	(111)	(456)	(367)	(1,542)
<b>At 31 December 2014</b>	<b>-</b>	<b>1,268</b>	<b>37</b>	<b>5,207</b>	<b>14,891</b>	<b>2,317</b>	<b>11,337</b>	<b>1,785</b>	<b>36,842</b>
<b>Net book value</b>									
<b>At 31 December 2014</b>	<b>727</b>	<b>2,869</b>	<b>314</b>	<b>1,097</b>	<b>17,908</b>	<b>2,918</b>	<b>3,088</b>	<b>1,018</b>	<b>29,939</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>

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 £1,364,000. The intra-group profit arose from the construction and sale of PDSA Pet Hospital buildings by subsidiaries of the charity.

Assets of gross amount £ nil (2013: £17,270), accumulated depreciation £ nil (2013: £17,270) are subject to an operating lease to a third party.

Aggregate rentals receivable by the Group in the accounting period were £2,237 (2013: £4,473).

Five properties were reclassified from fixed assets to investments during the year.

## 7. Fixed asset investments

Group and charity	Investment properties				£'000
	Listed investments	Unlisted investments	Freehold	Long leasehold	Total
	At 1 January 2014	72,001	-	1,026	1
Additions/transfers in	1,505	-	98	22	1,625
Withdrawals/transfers out	(3,002)	-	-	-	(3,002)
Net gains/(losses) on revaluations and disposals	1,590	-	923	177	2,690
<b>At 31 December 2014</b>	<b>72,094</b>	<b>-</b>	<b>2,047</b>	<b>200</b>	<b>74,341</b>
Historical cost	-	-	-	-	-
<b>At 31 December 2014</b>	<b>67,870</b>	<b>-</b>	<b>242</b>	<b>340</b>	<b>68,452</b>
				<b>2014</b>	2013
At 31 December 2014 and 2013 the charity had the following holdings constituting more than 5% of the portfolio market value:					
Newton Real Return Fund				34,489	36,342
Standard Life Global Asset Return Strategies Fund				37,605	35,635
<b>The total of UK listed investments</b>				<b>72,094</b>	<b>72,001</b>

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 2014 of £2,247,000.

Specific 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 2014 using indices published by IPD moderated by management's judgement.

Five properties were reclassified from fixed assets to investments during the year. Of these, one was valued at 31 December 2014 by external valuer, Jeremy Symons BSc MRICS of Cooke and Arkwright Chartered Surveyors. The valuation was in accordance with the requirements of the RICS Valuation Professional Standards January 2014. The valuation was to market value, assuming that the property would be sold subject to any existing leases. The remaining four properties were valued by PDSA RICS-qualified staff using market data.

## 8. Debtors

	Group		Charity	
	2014	2013	2014	2013
Accrued legacies	<b>10,695</b>	9,691	<b>10,695</b>	9,691
Amounts due from subsidiary undertakings	-	-	<b>2,338</b>	2,122
Income tax recoverable	<b>472</b>	630	<b>472</b>	631
Sundry debtors	<b>1,001</b>	1,262	<b>500</b>	751
Prepayments	<b>1,208</b>	1,595	<b>1,186</b>	1,216
<b>Total</b>	<b>13,376</b>	13,178	<b>15,191</b>	14,411

The charity has received notification of legacies amounting to approximately £16,049,000 (2013: £20,187,000).

This total has not been recognised as income at 31 December 2014, but represents a contingent asset that will be recognised in future years.

## 9. Current asset investments

Group and charity	£'000
At 1 January 2014	19
Increase	-
<b>At 31 December 2014</b>	<b>19</b>

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

	Group		Charity	
	2014	2013	2014	2013
Bank overdraft	1,035	-	2,622	-
Taxation and social security	1,028	958	1,028	958
Sundry creditors	4,167	4,044	3,413	3,508
Deferred income	1	190	-	-
Accruals	4,447	3,777	4,431	3,407
	<b>10,678</b>	<b>8,969</b>	<b>11,494</b>	<b>7,873</b>

Deferred income related to monies received for raffles which had not been drawn at the year-end. £189,000 was related to income during 2014 following the draw of raffles.

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

Group and charity	2014	2013
Sundry creditors	25	20
	<b>25</b>	<b>20</b>

## 12. Provisions for liabilities

Group and charity	2014	2013
Obligations for dilapidations in respect of rented properties the leases of which expire by 2024	643	656
	<b>643</b>	<b>656</b>

## 13. Analysis of Group net assets between funds

Fund balances at 31 December 2014 are represented by:	Restricted	Designated	General	Total
Tangible fixed assets	1,355	-	28,584	29,939
Investments	-	38,883	35,458	74,341
Current assets	1,556	-	13,219	14,775
Creditors – amounts falling due within one year	-	-	(10,678)	(10,678)
Creditors – amounts falling due after more than one year	-	-	(25)	(25)
Provisions for liabilities	-	-	(643)	(643)
Net assets excluding pension liability	2,911	38,883	65,915	107,709
Defined benefit pension scheme liability	-	-	(27,518)	(27,518)
Net assets including pension liability	<b>2,911</b>	<b>38,883</b>	<b>38,397</b>	<b>80,191</b>

# 14. Statement of funds

		£'000				
	At 1 January 2014	Incoming resources	Outgoing resources	Gains/ (losses)	Transfers	At 31 December 2014
General fund	65,765	92,420	(97,954)	(10,210)	15,894	65,915
Designated funds						
PDSA Pet Hospital replacement	36,943	-	-	-	1,940	38,883
	36,943	-	-	-	1,940	38,883
Unrestricted funds excluding pension reserve	102,708	92,420	(97,954)	(10,210)	17,834	104,798
Pension reserve	(14,718)	-	-	-	(12,800)	(27,518)
Total unrestricted funds	87,990	92,420	(97,954)	(10,210)	5,034	77,280
Restricted funds						
Permanent endowment						
A.W. Blackwell bequest	-	100	-	-	-	100
Total permanent endowment funds	-	100	-	-	-	100
Income funds						
Liverpool (Huyton) PDSA Pet Hospital, The Thomas Williams Centre	155	-		-	(155)	-
Restricted legacies	614	4,560	(4,673)	-	-	501
Veterinary Equipment and van for Kent from - legacy from the estate of BJ Morris	17			-	(17)	-
Belfast Urban Development grant	49			-	(49)	-
Liverpool (Kirkdale) PDSA Pet Hospital, The Jeanne Marchig Centre – capital donation	92			-	(92)	-
Liverpool (Kirkdale) PDSA Pet Hospital, The Jeanne Marchig Centre – capital appeal	738			-	(738)	-
Sunderland PDSA Pet Hospital, The Reay Hudson Centre – appeal	617			-	(617)	-
Glasgow (Shamrock Street) PDSA Pet Hospital – appeal	149			-	(149)	-
Digital x-ray – appeal	248	45		-	(208)	85
Plymouth PDSA Pet Hospital, The Gwen Rees Centre – capital appeal	1,257	1		-	(1,258)	-
Operating table – Wolverhampton PDSA Pet Hospital	1			-	(1)	-
Cardiff PDSA Pet Hospital, The Marian and Christina Ionsecu Centre – capital appeal	1,087				(1,087)	-
Birmingham (Quinton) PDSA Pet Hospital – capital appeal	380	347		-	-	727
National PDSA Pet Hospital capital appeal	-	336			-	336
Southampton PDSA Pet Hospital, The Joan Stainer Centre – running costs	250		(250)	-	-	-
Dundee PDSA Pet Hospital floor refurbishment	27			-	(27)	-
Glasgow (East) PDSA Pet Hospital refurbishment	36			-	(36)	-
Sheffield PDSA Pet Clinic – capital appeal	46			-	(46)	-
Replacement clinical system	34	69		-	-	103
Margate PDSA Pet Clinic, The Frank and Ethel Fright Centre – capital	500	10		-	(510)	-
PetCheck vehicles	44			-	(44)	-
PetWise pet wellbeing programme	125	1,213	(283)	-	-	1,055
Manchester PDSA Pet Hospital – capital appeal	-	4		-	-	4
Miscellaneous restricted donations less than £15,000	-	150	(150)	-	-	-
Total restricted income funds	6,466	6,735	(5,356)	-	(5,034)	2,811
Total restricted funds	6,466	6,835	(5,356)	-	(5,034)	2,911
Total funds excluding pension reserve	109,174	99,255	(103,310)	(10,210)	17,834	107,709
Total funds	94,456	99,255	(103,310)	(10,210)	-	80,191



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:

- PDSA Pet Hospital replacement fund, designated for the replacement of Pet 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 £1,940,000 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.

During the year a number of restricted funds for capital projects were transferred to unrestricted funds, totalling £5,034,000 (above) as we consider the terms of restriction were met when the buildings were completed or the assets were purchased. Below is further information about the nature of some of those restricted funds shown in the table opposite.

- Liverpool (Huyton) PDSA Pet Hospital, The Thomas Williams Centre, was funded by the European Regional Development Fund.
- An urban development grant was received towards the PDSA Pet Hospital at Belfast from the Department of Social Development, Northern Ireland.
- A donation received from Stiftung zur Forderung der Tierschutzes for building Liverpool (Kirkdale) Pet Hospital, The Jeanne Marchig Centre.
- A donation received from Mr R Breckman to finance the capital costs of two new PetCheck vehicles.
- A donation received from Eddie and Lilian Fright for Margate PDSA Pet Clinic, The Frank and Ethel Fright Centre.

We would also like to provide further information about the nature of some of the other restricted funds above.

- Legators have specified restrictions for use within a specific geographical location or application. The balance carried forward comprises: at Aberdeen £72,000, Helmsley/Kirbymoorside £340,000, Llanelli £64,000 and £25,000 for a veterinary vehicle in the West Midlands.
- A donation received from the Stainer Foundation was for running costs of Southampton PDSA Pet Hospital, The Joan Stainer Centre.

## 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

Group and charity	<b>£'000</b>	
	<b>2014</b>	2013
Purchase of tangible fixed assets authorised but not contracted	<b>5,323</b>	4,640

## 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:	<b>2014</b>	2013
<b>Leases that expire</b>		
Within one year	<b>882</b>	1,000
Within two to five years	<b>1,487</b>	1,721
After more than five years	<b>1,104</b>	1,000
	<b>3,473</b>	3,721

## 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 shops.
<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 PDSA Pet 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 results of the charity:	<b>2014</b>	2013
Total incoming resources	<b>89,728</b>	87,202
Net movement in funds	<b>(14,242)</b>	(2,499)

A summary of the results of the subsidiaries:

For the year ended 31 December

£'000

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2014	2013	2014	2013	2014	2013
Turnover	10,635	11,683	-	-	7,881	8,662
Cost of sales	(2,585)	(3,172)	-	-	(5,410)	(6,377)
Gross profit	8,050	8,511	-	-	2,471	2,285
Administration expenses	(6,606)	(6,516)	(1)	(1)	(577)	(489)
Operating profit/(loss)	1,444	1,995	(1)	(1)	1,894	1,796
Interest received	1	2	-	-	2	3
Gifted to The People's Dispensary for Sick Animals	(1,445)	(1,997)	-	-	(1,896)	(1,799)
Retained loss	-	-	(1)	(1)	-	-

Aggregate of the assets and liabilities:

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2014	2013	2014	2013	2014	2013
Assets	637	1,333	17	18	2,499	1,876
Liabilities	(630)	(1,326)	(27)	(27)	(2,499)	(1,876)
Net assets/(liabilities)	7	7	(10)	(9)	-	-

## 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 31 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 amended for member movements up to the balance sheet date, and for pensioner members as at 1 July 2013. The Trustees are satisfied this is suitable for use as at 31 December 2014.

Amounts for the current and previous four periods

£millions

	2014	2013	2012	2011	2010
Defined benefit obligation	(120.0)	(104.8)	(92.2)	(78.8)	(71.6)
Scheme assets	92.5	90.1	83.1	76.5	69.5
(Deficit)/surplus	(27.5)	(14.7)	(9.1)	(2.3)	(2.1)
Experience (loss)/gain on scheme liabilities	-	(1.9)	0.3	1.5	1.7
Experience gain/(loss) on scheme assets	(2.2)	2.9	1.1	1.1	2.9

# Defined benefit pension scheme (continued)

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

	2014		2013
	Pensioner	Non Pensioner	
Discount rate (pre-retirement)		3.75%	4.45%
Discount rate (post-retirement)	3.35%	3.75%	4.45%
Expected return on scheme assets (for the following year)		4.06%	4.76%
Future salary increases		2.90%	3.25%
Future value of pensions in deferment (RPI)	2.95%	3.15%	3.50%
Future value of pensions in deferment (CPI)	1.95%	2.15%	2.50%
Average rate of increase in pensions (5% LPI)	2.85%	3.05%	3.30%
Average rate of increase in pensions (2.5% LPI)	2.00%	2.10%	2.20%
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 2013 projections and 1.25% long-term trend rate
Average expected future life at age 65 for:			
Male currently aged 65		22.4	22.3
Female currently aged 65		24.6	24.5
Male currently aged 45		24.1	24
Female currently aged 45		26.5	26.4

Note for the 31 December 2014 results that an allowance for active withdrawal has been made in the liabilities

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

Assets	2014		2013	
	Expected return		Expected return	
Corporate bonds	3.70%	7.5	4.45%	6.7
Gilts	2.45%	15.7	3.60%	32.7
Insurance policies	3.35%	26.6		0.9
Equities and property	5.95%	36.5	7.10%	38.2
Cash	0.50%	6.2	0.50%	11.6
Fair value of scheme assets		92.5		90.1
Present value of funded obligations		(120.0)		(104.8)
Deficit		(27.5)		(14.7)
Related deferred tax (liability)/asset		no allowance		no allowance
<b>Net pension liability</b>		<b>(27.5)</b>		<b>(14.7)</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.

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

	2014	2013
Opening defined benefit obligation	104.8	92.2
Service cost	2.8	2.7
Past service cost	-	(0.3)
Interest on scheme liabilities	4.7	4.1
Actuarial losses	10.7	9.7
Inclusion of historically insured annuities	-	0.9
Liabilities extinguished on settlements	-	(0.1)
Benefits paid	(3.0)	(4.4)
<b>Closing defined benefit obligation</b>	<b>120.0</b>	<b>104.8</b>

### Changes in the fair value of scheme assets

	£millions	
	2014	2013
Opening value of the scheme's assets	90.1	83.1
Expected return	3.4	3.4
Actuarial (losses)/gains	(2.2)	2.9
Contributions by employer to the scheme	4.2	4.0
Contributions by employer to the escrow account	-	0.2
Insured members	-	0.9
Benefits paid	(3.0)	(4.4)
<b>Closing fair value of the scheme assets</b>	<b>92.5</b>	<b>90.1</b>

	2014	2013
<b>The actual return on the scheme's assets (excluding the impact of insured members) was</b>	<b>1.2</b>	<b>6.3</b>

The increase in the defined benefit obligation predominately reflects the significant reduction in both the pre- and post-retirement discount rates as a result of lower market bond yields.

In April 2014 the Trustees of the defined benefit pension scheme purchased an insurance policy with Aviva Plc in respect of the liabilities of a cohort of pensioner members for an initial purchase price of £31 million. This is known as a pensioner buy-in policy. In accordance with FRS17 the buy-in policy is valued as a scheme asset at the amount of the value of liabilities of the benefits covered by the policy. As the initial purchase price was in excess of the liabilities of the benefits covered by the policy, reflecting the premium paid on initial purchase price, this has resulted in an actuarial loss on an FRS17 basis of £4.4 million and is included within the actuarial (losses)/gains on the scheme assets in the table above.

The charity expects to pay £3.6m 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

	2014	2013
Service cost	2.8	2.7
Past service cost	-	(0.3)
Losses on curtailments and settlements	-	(0.1)
Interest on obligation	4.7	4.1
Expected return on scheme assets*	(3.4)	(3.4)
<b>Amounts included within resources expended</b>	<b>4.1</b>	<b>3.0</b>
Actuarial losses on the defined benefit obligation	10.7	9.7
Actuarial losses/(gains) on the scheme assets	2.2	(2.9)
	12.9	6.8
<b>Total</b>	<b>17.0</b>	<b>9.8</b>
<b>Cumulative actuarial losses</b>	<b>44.1</b>	<b>31.2</b>

\* This includes actual expenses paid of £0.7m for 2014 and £0.5m for 2013.

# 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

Telephone: 01952 290999 Fax: 0845 556 4906 [pdsa.org.uk](http://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

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

### Actuaries

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

### Solicitors

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

### 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
<b>Director of Human &amp; Corporate Resources</b>	Karen Hailes, FCIPD

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



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





# A healthy life for all our pets

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

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