

# ANNUAL REPORT & ACCOUNTS 2017



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Registered charity nos. 208217 & SC037585

SINCE 1917  
**pdsa**  
SAVING PETS CHANGING LIVES



# Trustees' Report

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Welcome to our 2017 Annual Report & Accounts. We really hope you enjoy reading all about our great work from the past year and learning more about the impact of our charitable services. Our work is only possible thanks to the efforts of so many incredible people, including our supporters, volunteers and staff.

## 1. 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)  
(Revised by a Parliamentary Scheme in 2015)  
Registered charity nos. 208217 & SC037585

### Head Office

Telephone: 01952 290999

Website: [www.pdsa.org.uk](http://www.pdsa.org.uk)

### Patron

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

### Principal professional advisors

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  Aberdeen Standard Investments, 1 George Street, Edinburgh EH2 2LL
External Auditor	BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA
Actuaries	KPMG LLP, One Snowhill Queensway, Birmingham B4 6GH
Solicitors	Gowling WLG, Two Snowhill, Birmingham B4 6WR
Trustees	Details on page 15.

## 2. Chair's letter

Every. Single. Day. PDSA makes a commitment to saving pets and changing lives.

It is what we do and what we have done for 100 years, ever since our inspirational Founder Maria Dickin opened the People's Dispensary for Sick Animals of the Poor in London's East End on Saturday 17 November 1917.

In the last 100 years we've grown from humble beginnings and worked hard to fulfil Maria Dickin's vision of a world where no pet has to suffer; where pet owners come to us knowing that their beloved companion can receive emergency care, will have their sickness treated and will be given the chance to go on to live a happy and healthy life.

To us, every pet matters.

### Centenary year

Last year was the start of our Centenary and I am sure Maria Dickin would have been thrilled to see our 100th birthday celebrations come to life. We began in November with a number of special events, which included taking part in the Lord Mayor of London's Show and holding a Founder's Day event at the People's Palace in east London, not far from where Maria Dickin set up her first permanent dispensary. We will also be featured on television in a 20 part series, which goes behind the scenes at some of our Pet Hospitals showcasing the amazing work that goes on in saving, protecting and healing pets – filming for this was completed in 2017 and the series will air in 2018.

In addition, honouring brave civilian and military animals and their amazing contribution to society has continued in earnest this past year with some incredible acts of bravery being recognised through our Animal Awards Programme – created to raise the status of animals in society. One such award was given to eight-year-old Belgian Malinois Mali, a British Military Working Dog who helped save the lives of troops in Afghanistan. He received the prestigious PDSA Dickin Medal – the animal equivalent of the Victoria Cross last November, which attracted worldwide acclaim for his heroism in the face of grave danger.

As part of our Centenary activity, we also announced the launch of a flagship event, PDSA PetLife'18 – a festival in a day, which will be held in Cheltenham in May 2018. This festival of two parts, which dogs can also attend with their owners, includes a daytime event that will celebrate everything to do with pets and their wellbeing followed by an amazing concert headlined by a number of big music acts. This event will be a great way to drive awareness and support of our work and will help us educate animal-lovers about all aspects of pet wellbeing.

### Prevent, Educate, Treat

The impact we made was clear throughout 2017 as we supported almost half a million pets through our network of 48 Pet Hospitals serving communities across the United Kingdom. It was in those communities that we demonstrated our public benefit and how we are dedicated to improving pet wellbeing in three special ways - prevention of illness, education of owners and treatment of sickness and injury. Here are just some of the public benefit highlights from the past year.

In support of our **prevention** work, our summer awareness campaign focused on the importance of vaccinations and helped to encourage owners to vaccinate their pets against disease – a priority highlighted in our 2017 *PDSA Animal Wellbeing (PAW) Report*. Happily, we saw a year-on-year increase in people getting their pets vaccinated which is a fantastic result.

As part of our expanding **educational** work our schools programme designed to educate the pet owners of the future about all aspects of pet wellbeing reached nearly 90,000 children. We also launched a special collaboration with Lily's Kitchen and Kidzania in London to create a play-based educational Pet Wellbeing Centre where 10,000 children learned about pet health and how to be a vet.

We further evolved our veterinary services to ensure we achieve the biggest impact possible with our available funds and part of this saw the roll-out of our paid-for veterinary services across all of our Pet Hospitals; this ensures we can support and treat more pets and people in need that we otherwise would not have reached.

Of course, we couldn't do any of these activities without public support. We do not receive any Government funding and all of our income comes from the incredible generosity and kindness of our supporters.

### **Growing income**

Last year I wrote that it was essential to match our income and costs. For many years, we have used our reserves to maintain our services. I am pleased to report that in 2017 we had a record income exceeding £100 million for a second time and, most importantly, achieved our goal of recording a small surplus earlier than we had budgeted.

We were delighted to be supported by funds from People's Postcode Lottery (PPL) and also to benefit from record legacy income from supporters who kindly thought to leave us a gift in their Will. However, neither of these are guaranteed in future, which is why we are committed to continually developing new and innovative income streams.

### **Public benefit**

We want to maintain our public benefit for the next 100 years and that has meant taking important steps in 2017 to rebalance our income and costs for a sustainable future. Over the past year, we looked carefully at the services we provide to ensure our available funds are used in the most effective way.

After a full review of our Veterinary Services across our Pet Hospitals, Pet Practices and our Pet Treatment Fund, we announced a number of changes that would offer more flexible service models that are more affordable for the long-term. There were some difficult choices to be made, but by reviewing and reshaping our services, we can now continue to help millions of pets in need, long into the future, in a sustainable and affordable way.

### **Manchester Appeal**

2017 saw the launch of the first phase of fundraising, what is referred to as the private phase, for a new £2.4 million Pet Wellbeing Centre in Manchester. This will replace our current, outdated Pet Hospital in the city. Ninety years after establishing our vital service in Manchester, the need is still as great as ever, but our hospital is no longer fit for purpose. Our staff work miracles every day, but the building is at breaking point and we need to act now and 2018 will see the launch of the public appeal. This new Centre will contain our first ever dedicated 'wellbeing' facilities to help the local community provide everything their pets need to be happy and healthy.

Finally, a huge thank you to everyone who helped PDSA make a difference over the last 100 years. In today's challenging times, we rely on your help more than ever.



John Smith  
Chair

## Director General's letter

Today, we celebrate the struggles and the triumphs that have shaped PDSA into the UK's leading veterinary charity – and one of the world's foremost proponents of pet wellbeing. We remember the pets that we have saved; the owners we have helped, the awareness campaigns we have delivered and the animals we have honoured through our globally recognised Animal Awards Programme.

As we pay tribute to the vision and dedication of our founder in this our Centenary year, we must continue to strive to emulate her extraordinary tenacity and passion. Sometimes that means making difficult decisions but in doing so, we will secure a future for PDSA every bit as unique and remarkable as our past.

On behalf of Council and myself, I would like to offer our heartfelt thanks to all of our supporters, partners, volunteers and our wonderful veterinary and support teams around the UK for helping PDSA get to where we are to today as we mark our 100th birthday; now we look firmly to the future to ensure that the impact of our work continues in earnest.

A handwritten signature in black ink that reads "Jan McLoughlin." The signature is written in a cursive style with a large initial 'J'.

Jan McLoughlin  
Director General

### 3. About our work and our public benefit

As the UK's leading veterinary charity, we strive to Prevent the illness, suffering and unnecessary death of pets; Educate people about the welfare needs and value of pets in society; and Treat sick and injured pets within vulnerable communities across the UK.

For 100 years, we have been providing veterinary services to those struggling financially to care for their pets. To date we have provided more than 100 million treatments to over 20 million beloved pets.

Our charitable services are delivered through our network of 48 Pet Hospitals UK-wide from which we provide vital preventive care such as vaccinations, emergency treatment for pets needing lifesaving care and education services on all aspects of pet welfare to the pets of owners in need. We also deliver support through private veterinary practices.

Our Pet Hospitals are situated in areas where the need is greatest and they are bursting at the seams with animals who require our help. Each day our dedicated vets and nurses treat over 5,300 pet patients.

Our free services are provided across the UK in catchment areas around our 48 Pet Hospitals. These are offered mainly to pet owners who receive means-tested help with Council Tax, Housing Benefit or Universal Credit. We also offer reduced-cost veterinary services to people in receipt of means-tested benefits and to pensioners living in houses with Council Tax banding A-D.

Last year alone, our services reached nearly half a million of the nation's much-loved pets through one of our various service channels. No other animal charity compares to PDSA, both in terms of the scale and impact on pet wellbeing.

We would love to help everyone, but as a charity, our funds are limited. Delivery of our vital, life-saving services costs the charity more than £70 million a year, which is funded entirely by public support. We receive no central Government funding for our veterinary services and so it is our supporters who make our work a reality. We aim to maximise our impact on eligible households in the UK by targeting our services carefully to those in most need in society.

In 2017, we also delivered PDSA-funded care through 368 PDSA Pet Practices; in 2018, this service will be replaced with a brand new PDSA Pet Care Scheme.

We are also proud to have a retail network of around 120 charity shops and an amazing volunteer base of over 3,600 – all of which helps drive funds and awareness for our charitable work.

Our vision is: **A lifetime of wellbeing for every pet.**

This informs our mission: **Together we will improve the life of every pet.**

We achieve it by:

- **Preventing** illness, suffering and unnecessary death of pets.
- **Educating** people about the welfare needs and value of pets.
- **Treating** sick and injured pets needing our help within communities across the UK.



## The changing face of poverty

Today, our charitable services have never been in greater demand; poverty continues to rise and more people than ever are living below the poverty line. When people struggle financially, pets are often the silent victims, but PDSA is the safety net that ensures their pets are cared for.

## Our future ambitions

In order to support our vision of a lifetime of wellbeing for every pet, all of our organisational activity is underpinned by the following objectives:

- Objective 1: Deliver the best pet wellbeing outcomes for people in need in the most cost effective way
- Objective 2: Make PDSA better known, loved and understood
- Objective 3: Grow income to maximise pet wellbeing outcomes
- Objective 4: Ensure PDSA has the underlying organisational capability to achieve its core objectives

For each of these objectives we have a five-year strategic and tactical roadmap to ensure we deliver against each one. We are also committed to taking an agile approach to new opportunities and will continually review our strategies and objectives to ensure they remain relevant and impactful.

## Our Charitable Objects

PDSA's governing documents are two Acts of Parliament (1949 and 1956) which were revised by a Parliamentary Scheme in 2015.

The objects of the charity are:

- (a) the provision of free medical or surgical treatment, or such treatment at reduced charges, to animals belonging to persons who are unable to afford the services of a veterinary surgeon;
- (b) the prevention of suffering of animals by the provision of preventive treatment, care and advice (whether at free, at a reduced charge, or at full charge);
- (c) the education of the public in matters concerning animal health and welfare in general;
- (d) the advancement of animal welfare for the public benefit by any other means.

## Public benefit in Scotland and Northern Ireland

PDSA is registered as a charity in Scotland where we have five Pet Hospitals.

Gross income raised in 2017 from PDSA shops, fundraising groups and Pet Hospitals in Scotland amounted to £4.3 million (2016: £4.1 million).

In Northern Ireland, we have one Pet Hospital, one Pet Clinic, a shop and a fundraising group. Registration with the Charity Commission for Northern Ireland 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.

## 4. How we raised our money

Our income comes from a wide range of sources. Voluntary income (donations and legacies) is our most important source – 66% of income. It is our aim over time to reduce our reliance on this area by increasing income in both trading and veterinary areas.

Legacies	£45.8 million	45%
Donations	£21.6 million	21%
Charitable	£9.3 million	9%
Other trading	£23.7 million	23%
Investment/disposals	£1.8 million	2%

85% 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 15p per £, compared to 19p last year.

## 5. How we spent our money

The level of expenditure on our mission reduced slightly from £71.6 million in 2016 to £71.1 million in 2017.

Treatment	£63.1 million
Education	£2.7 million
Prevention	£5.3 million

## 6. Helping people and pets - case studies

### Marley

One-year-old cat Marley holds an extra special place in the lives of the Hughes family. He came into their lives while they were still grieving for Gaynor's husband, who had died from cancer. However, tragedy almost struck for the beloved family pet when Marley crawled home in agony one dark, rainy night.

Gaynor rushed him to our vets where an x-ray revealed a severe break to his front right leg. It was thought he had been hit by a vehicle. Marley underwent lengthy surgery to amputate his leg and thanks to the hard work, skill and care of PDSA vets and nurses, Marley is now back home, providing much love and comfort to his family.

### Pip

Pip was brought to PDSA with extensive burns covering her back, neck, head and ears. She had somehow dragged herself home in a critical condition - to this day, nobody knows how she sustained such life-changing injuries but it is believed the two-year-old cat may have had scalding water poured over her body.

Our emergency care was vital in saving this much-loved family pet and our teams have done everything possible to help her on the road to recovery.

Pip and Marley are just two examples of the 5,300 pets we see every single day that need our veterinary expertise.

## 7. Achieving our objectives

- Our key impacts and achievements of 2017
- Our Key focus for 2018

Using the framework of our four strategic objectives, the following section gives an overview of the key activities undertaken in 2017 and the impacts and achievements of each, coupled with a view of our 2018 aims.

### Objective 1: Deliver the best pet wellbeing outcomes for people in need in the most cost effective way

What does this mean?

- We are continually evolving our service models to optimise and measure the impacts we have on pet wellbeing with the resources available to us.
- We will continue to use our vast and valuable evidence base including the annual *PAW Report* (the biggest measure of pet welfare ever produced), Pet Hospital clinical data and external research to prioritise the issues we need to tackle to further improve pet wellbeing.

2017 activity summary:

- Nearly half a million, some 465,000 pets, received a combination of preventive care, educational support and treatment through PDSA Pet Hospitals, Pet Clinics, Pet Practices and our Community & Education team.
- To ensure maximum impact of our funds, to as wide a population of people in need as possible, we carried out a full review of our veterinary services. It was clear that our Pet Hospitals were the most effective and impactful way of providing our charitable impact with our available funds but we needed to evolve our service models to ensure they were sustainable, flexible and affordable in the long-term. This led to the announcement of changes to our veterinary services in 2017 which included:
  - o Changing the number of pets that clients are able to register for free treatment (from three free pets to one free pet) in our Pet Hospitals.
  - o The closure of the Pet Treatment Fund, a discretionary fund that supported approximately 4,000 clients across the UK.
  - o The closure of the existing Pet Practice service and the announcement of a replacement scheme called PDSA Pet Care. (PDSA Pet Care is a cost neutral scheme that is available to existing Pet Practice clients from a participating private practice).

Acknowledging the impact these changes would have on some clients, these changes were phased in. A comprehensive client support and communication plan was implemented to help communicate the reasons driving the service changes. Teams across PDSA were equipped to handle enquiries from a wide variety of stakeholders, ranging from clients and supporters, to MPs and the media. Whilst there was some challenge about the changes, there was also a lot of understanding, empathy and support shown for PDSA's decision.

- Outside of those clients who are eligible for free treatment for their pets, a new reduced-cost service for veterinary treatment is now available in all Pet Hospitals (previously only available in a limited number in 2016). This service is available to existing clients that have more than one pet receiving free treatment, as well as people in need who receive other benefits outside of those associated with our free service. This means our charitable service can reach even more people in need.

- Our Petcheck vehicles (kindly sponsored by Robert and Julie Breckman) continued to deliver our mobile pet health programme nationwide to areas most in need with more than 190 days spent on the road. Nearly 3,000 dogs received wellbeing checks. The range and reach of our education programme was also expanded by attending 56 community events, enabling us to engage and educate a further 2,368 adults and children.
- Our Community & Education team continued to build on their provision of educational workshops within UK primary schools with 88,528 young people receiving face-to-face sessions, increasing knowledge of the five animal welfare needs and making informed decisions when choosing to own a pet, raising the status of pets in society and driving positive behaviour change in the pet owners of the future.
- PetWise for Cats, our national feline education programme generously funded by The Marchig Animal Welfare Trust, completed its third and final full year. The scheme (offering free microchipping and neutering with every PetWise welfare check for all our feline patients) ended in November 2017. Over the three years of the programme, we have neutered 72,084 cats, microchipped 92,495 and carried out 104,312 PetWise welfare checks on feline visitors. This activity will continue to have a hugely positive impact and lasting legacy on cat health, as neutering prevents a number of illnesses and conditions as well reducing the number of cats breeding which will help reduce the number of stray and unwanted cats.
- A unique collaboration between PDSA, pet food brand Lily's Kitchen and KidZania, to create a play-based educational Pet Wellbeing Centre launched last year, which gives children the opportunity to role-play adult jobs and careers. By the end of November, the KidZania Pet Wellbeing Centre had received over 10,000 visitors.
- The seventh *PAW Report*, the UK's biggest annual report into pet welfare, was launched in May. The Report received an excellent reception from the profession and was widely publicised in the veterinary press. Findings from the *PAW Report* provided the evidence-base for a wide range of our awareness campaigns, which reached millions of people in 2017. As an example, our vaccination awareness campaign from summer 2017 drove a 9% year-on-year increase in the uptake of vaccinations, demonstrating a hugely positive awareness outcome alongside a clearly positive impact on the wellbeing of pets, with more receiving vaccinations to protect them from often-fatal illness and diseases.
- A new Pet Hospital service model was designed as the replacement for the existing PDSA Pet Hospital in Manchester. Fundraising started for this exciting new building, which will be known as a Pet Wellbeing Centre. For the first time this new Pet Hospital design will contain dedicated 'wellbeing' facilities to help provide the local community with everything their pets need to be happy and healthy.

#### Plans for 2018:

- The newly launched PDSA Pet Care scheme, which replaces the Pet Practice service, will be rolled out further during 2018. This new, more sustainable service model enables PDSA to work with participating private veterinary practices to deliver PDSA support in communities where we do not have a dedicated Pet Hospital Service.
- The public phase of the fundraising appeal for the new Manchester Pet Wellbeing Centre will be launched.
- A full review of our Pet Hospital registration process will be undertaken to further strengthen the registration experience for our clients and support the requirements of General Data Protection Regulation (GDPR).
- Marketing of our charitable services will be rolled out to ensure people have a good understanding of the expertise and support we can provide in communities across the UK.
- We will finalise the impact measures and targets for the number of people in need and the number of pets' lives saved.

- A new education support package will be developed called 'PetWise for Schools' – a scheme to engage and educate the pet owners of the future.

## Objective 2: Make PDSA better known, loved and understood

What does this mean?

- We aim to continually increase PDSA's brand awareness and provide clarity of purpose about our work and impact.
- We will broaden our appeal, making the charity relevant to new audiences to drive ongoing support for our work.
- PDSA will be known, loved and understood in the communities in which we operate, bringing together all aspects of the organisation to engage and grow support at local and national levels.

2017 activity summary:

- PDSA reached its 100th anniversary on 17 November 2017 and we began commemorating our Centenary year with a range of events and activities largely focused in east London where PDSA originated, all with the purpose of raising further awareness and understanding of the charity's work. We took part in London's world-famous Lord Mayor's Show and secured national TV coverage of the charity's work; national and regional media coverage was achieved which not only referenced this milestone birthday but also talked about the impact of our work today and the ongoing need for both our services and public support, so that our life-saving work may continue in communities right across the UK.
- Through the PDSA Animal Awards Programme, we honour the huge contribution that civilian and military animals make to society. One such award in 2017 was for eight-year-old Belgian Malinois, Mali, a British Military Working Dog who helped save the lives of troops in Afghanistan. He received the prestigious PDSA Dickin Medal – the animal equivalent of the Victoria Cross last November. His award and our charity's commitment to raising the status of animals in society was featured in over 2,500 pieces of media coverage spanning national, regional and online media as well as worldwide coverage.
- We delivered two significant multi-channel marketing campaigns in 2017 designed to drive awareness of pet wellbeing issues and drive awareness and income in support of our work:
  - o Our vaccination awareness campaign in summer 2017 entitled, 'Spread the word, not the disease' reached millions of pet owners UK-wide through a multi-channel awareness campaign about the importance of preventive care for pets. The campaign also drove a 6.8% (which is 1,822 pets) year-on-year increase in the number of vaccinations we delivered through our Pet Hospitals. This means that more pets will be protected from preventable illnesses or diseases.
  - o Our Christmas 2017 campaign took PDSA's brand to audiences in excess of 200 million through a multi-channel communications campaign, which included activity on TV, radio, press and social media. It exceeded all awareness and income targets.
  - o Filming for a 20-part TV series was completed in the first half of 2017 and is due to be aired in 2018. This series will showcase the work of two of our busiest Pet Hospitals taking viewers behind the scenes to the consulting rooms, operating theatres and recovery wards, telling the stories of the pets and owners who rely on our services and our dedicated staff who work tirelessly to care for pets in need. This important project will help drive further awareness to mass audiences about the charity's work.

## Plans for 2018:

- An overarching marketing campaign will be launched to help attract new supporters and drive increased awareness and understanding of our work and the impact we have on pets and owners. This will also help increase the uptake of our charitable services, ensuring eligible owners in need know where they can turn to get help for their pets.
- A new television series about PDSA's work and our impact in society will be aired.
- The inaugural PetLife '18 - a festival in a day that welcomes dogs - is to be held in Cheltenham on 6 May 2018.
- We will expand further our corporate partnerships to drive funding in support of our charitable work and awareness.
- Ongoing research will be carried out to understand how well our brand is perceived and how well PDSA is understood.

## Objective 3: Grow income to maximise pet wellbeing outcomes

### What does this mean?

- Optimise the earned pound to deliver increased profitability in support of our public benefit.
- We will continue to use innovative ways to increase our customer and supporter database ensuring we are in line with legislative changes (GDPR).
- We will protect and grow legacy income.

### 2017 activity summary:

- Overall income in 2017 was robust at £102.2 million - exceeding £100 million for the second time. This was driven by strong legacies and a second year of net income from PPL of over £2 million. We have continued to control costs and generate income from different sources.
- Legacy income totalled £45.8 million in 2017, which is the highest recorded in any single year.
- Our Retail network has delivered year-on-year profitability improvement.
- Net funding of just over £2 million from Players of People's Postcode Lottery made a significant contribution towards our treatment services. PPL also funded an essential National Equipment Fund, enabling us to replace broken equipment such as x-ray processors and ultrasound machines. Thanks to PPL, our Community & Education Veterinary Nurse team have also been able to deliver Pet First Aid courses across the country. Additionally, thanks to PPL support, we have been working with an external company to develop our impact measurement and reporting capabilities. This will help us further strengthen the way we measure the impact and outcomes of our charitable work. In addition, thanks to this funding, our website content has been accessed 239,999 times, equipping owners with more knowledge and confidence about safeguarding their pets' health.
- A new Weekly Raffle product was launched in 2017 the funds from which drive further income in support of our charitable work.
- The launch of the first phase of the fundraising appeal for the new Manchester PDSA Pet Wellbeing Centre took place. Plans for the public phase of the appeal were developed ready for the 2018 public launch.

Plans for 2018:

- Further engage with our supporters to understand how they want us to talk about the sensitive subject of leaving a gift in their will.
- We will launch the Manchester Pet Wellbeing Centre fundraising appeal to the public to raise £2.4 million for a much-needed new facility.
- A number of new traditional charity shops will open as well as a number of new format shops.
- Further work will be carried out on our trading strategy to ensure all opportunities to drive income are being realised in support of our charitable work.

#### **Objective 4: Ensure PDSA has the underlying organisational capability to achieve its core objectives**

What does this mean?

- Having the right people, skills, values and leadership
- Having the right systems, processes and equipment
- Having the right structure, strategy and financing.

2017 activity summary:

- A new five-year Business Plan was developed comprising both the new organisational objectives and underpinning strategies which have been cascaded to all colleagues.
- We developed new organisational structures and governance to deliver the new organisational objectives, so everyone is clear about the role they play.
- We established the first tranche of our new measures of success and impacts.
- Our website was migrated to a new technical platform and was enhanced to provide a better user experience.
- We outsourced our Information Services support function – upgrading the service and reducing costs.

2018 plans:

- Work will continue to ensure our systems and infrastructures comply with the required GDPR standards.
- A new volunteering strategy will be embedded across the organisation.
- New propositions will be developed utilising the enhanced website platforms which will include further strengthening our customer journeys.

## **8. Our Fundraising promise**

Supporters are PDSA's lifeblood and their contribution is valued and acknowledged accordingly. PDSA is always conscious of its charitable status and purpose and uses all its resources prudently.

PDSA is registered with the Fundraising Regulator and is a member of the Institute of Fundraising, as well as the Direct Marketing Association. We are committed to achieving high standards in our fundraising activity and as such comply with both the Fundraising Regulator's Code of Fundraising Practice and the DMA Code of Practice, ensuring that we are following set standards for fundraising activities. We have implemented policies and robust processes to ensure that our fundraising is not intrusive, persistent, does not put any individual under undue pressure and protects the vulnerable.

PDSA only works with companies and commercial participators who are demonstrably reputable and whose activities do not have an adverse impact on the charity's objects. Third-party fundraisers employed by PDSA are members of the Institute of Fundraising and have passed the Institute of Fundraising Compliance Directorate's accreditation programme.

To ensure we can work best together with our agency partnerships and reach the excellent

standards expected by the public, a robust governance and audit framework has been built to facilitate regular monitoring and evaluation so that we may make all reasonable efforts to ensure the on-going compliance of third-parties with the Code and their legal requirements, as well as any agreed industry standards. Where compliance to the required standard is found to be inadequate, robust processes are in place to ensure swift action to resolution.

Whilst we are committed to best practice in the way we engage with our supporters, our fundraising activity sometimes results in small number of complaints. We had 33,000 inbound calls and over 7,400 emails from supporters into our customer service team last year. However in total we received only 143 fundraising-related complaints, based on the Fundraising Regulator's categorisation, which showed a 30% decline in volume on 2016 and represents just 0.35% of total enquiries. This excludes any complaints received independently by one of our professional fundraisers, managing our weekly lottery, which we will include in reporting to the Fundraising Regulator when available.

Other information:

- Face-to-face (F2F) activity: after a break of over 12 months, we re-started private-site F2F fundraising, in line with our acquisition strategy, via two third-party fundraising agencies in August 2017. This activity recruits people to support us through a regular committed giving programme, generating income which helps fund our charitable work. To ensure compliance to fundraising standards, a robust governance and audit framework is in place to protect both the associated financial targets and reputational challenges that exist with this fundraising channel.
- In late 2015, PDSA was subject to an investigation by the Information Commissioners' Office (ICO) into our fundraising practices and this concluded in January 2017. This investigation was part of a wider review of the charity sector in general, after concerns were raised in the press about some charities use of high-pressure fundraising techniques and the inappropriate sharing of supporters' personal data. Throughout the investigation, PDSA cooperated fully with the ICO and these investigations concluded with no actions against PDSA. We have agreed a number of activities which would further strengthen and improve our policies and working practices – these actions were closed out in a report to the ICO Enforcement Team in September 2017.
- PDSA is committed to ensuring that our beneficiaries, staff, volunteers and third parties working on our behalf have a positive and rewarding experience of the charity. We have safeguarding policies and procedures in place but recognise that we cannot be complacent and have embarked on a full review of our safeguarding practices that will reflect our moral responsibility, legal obligations and best practice guidance.

If and when applicable, PDSA will always involve governing bodies such as the ICO, Charity Commission and OSCR in any issues arising and will also proactively seek advice from the sector experts.

## 9. People

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

Our people processes link individual objectives to corporate objectives, to monitor performance and plan individual development. In 2017, we continued to drive our focus on effective performance conversations.

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 are given.

We have an established communications group called ‘Our Forum’, which provides an opportunity for the Director General, Directors, senior leaders and elected representatives across all employees, to explore and discuss strategic matters using proactive communication and consultation as part of the decision-making process. It also has an important role to play in statutory consultation and has specific rights and responsibilities afforded through legislation.

At the end of 2017 PDSA had 3,611 volunteers throughout the UK, with 5,963 volunteers actively involved during the year who help support us in our Pet Hospitals, shops, fundraising groups and offices.

## 10. Governance

### Governing documents and registration

The charity is incorporated under The People’s Dispensary for Sick Animals Acts 1949 and 1956 as amended by a Parliamentary Scheme in May 2015. 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 below along with their committee membership.

<b>Chairman</b> Mr John Smith, FCA	F R	
<b>Deputy Chairman</b> Mr Richard Clowes, BSc MI Mech E	F R	
Ms Catherine Dixon, LLB (Hons), MBA, Solicitor	A	Resigned 14 December 2017
Professor Gary England, BVetMed PhD DVetMed CertVA DVR DVRep DipECAR DipACT FHEA FRCVS	A	
Mr Noel Guilford, BA, FCA	F A	
Ms Laurie Mayers, BA, MA	F R	
Mr John Miller, BSc, MCIPD, AFBPsS	R	
Mrs Carole Pomfret MA ACA	A	
Mrs Mary Reilly BA (Hons), FCA	F	
Mrs Alison Tattersall BA (Hons), Postgrad Diploma in Marketing	A	
Mr Andy Tinlin BEng (Hons), Postgrad Diploma in Management	F	

- F - Member of the Finance & Investment Committee
- A - Member of the Audit & Risk Committee
- R - Member of the Remuneration Committee

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 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. It also receives regular updates on compliance in respect of our fundraising governance framework. The Remuneration Committee's role is to determine the Remuneration Policy for the whole organisation and in particular, the total remuneration packages of senior executives and to recommend these to Council. The Special Purposes Committee approves legal agreements [for members see executive staff on page 18].

During the year, working groups reviewed our Veterinary Strategy and our Marketing and Income Generation Strategy; these helped to shape the revised strategic objectives and latest Business Plan. Additionally, a working party has been set up to review the revised Charity Governance Code. The party comprises five Trustees working with the Director General and Audit & Risk Manager. Trustees are assessing practices at PDSA to identify potential areas for improvement. Work will continue in 2018.

## Remuneration Statement

PDSA is a large organisation with over 1,900 employees and the support of over 3,500 volunteers. 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.

Council has overall responsibility for determining the remuneration policy for the whole organisation and in particular the total remuneration packages of senior executives. It delegates this responsibility to the Remuneration Committee which makes recommendations to Council.

The nature of our public benefit means that we are one of the UK's largest employers of veterinary professionals and, as a complex and diverse organisation, we compete in different job markets for a wide range of skills and experience. Our pay policy must therefore be sufficiently flexible to ensure we can attract and retain the right people with the right skills to be able to deliver our vital services whilst meeting our supporters' expectations that the money they entrust to us will be used wisely.

There is a national shortage of veterinary surgeons and veterinary nurses. We have implemented a wide range of measures to enable us to attract, engage and retain the key skills we need to deliver our public benefit including closely monitoring pay levels to ensure we remain competitive in this challenging, dynamic labour market.

The Remuneration Committee has established the following guiding principles that underpin our approach to reward and recognition:

- To have understandable, equitable and transparent reward policies within the organisation that reflect the strategy and ethos of PDSA
- To apply a common framework for managing reward decisions, whilst providing flexibility to meet differing organisational needs within PDSA
- To provide a competitive and market responsive total reward package that enables PDSA to attract and retain employees from the not-for-profit or private sector as appropriate

- To apply a robust system for comparing jobs internally, which can be used to clarify career paths and support career development discussions
- To value the contribution that an individual makes in their job and recognise the link between performance and reward
- To provide a comprehensive core set of benefits for all employees whilst giving some flexibility within the total reward package to enable employees to meet their differing personal needs and preferences

In determining overall pay levels for all our employees including senior executives we take account of pay practice in other similarly sized charities and, where appropriate, private sector organisations. Benchmarking activity takes place on an annual basis. Annual pay reviews take into consideration affordability, economic trends and external market movements.

Our Gender Pay Report is available on our website in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

It is the view of the Remuneration Committee 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 (which currently number four including the Director General) is fair and proportionate.

### **Trustee recruitment and training**

Council approves new Trustees whose appointment is then ratified at a General Meeting. 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 terms of four years, which may be extended at the request of the Chair 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 an ongoing 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.

### **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 regulations.

Charity law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice. Under charity law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charity and of the incoming resources and application of resources, including the income and expenditure, of the group and charity for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose them with reasonable accuracy and at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of The People's Dispensary for Sick Animals Acts 1949 and 1956 as amended by a Parliamentary Scheme in May 2015. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible to ensure that the financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Executive Staff

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

Director General	Jan McLoughlin, MSc, CBiol, MSB, FloD
Director of Veterinary Services	Richard Hooker, BVMS (Hons) , MRCVS
Director of Finance	Michael Pell, FCA
Director of Human & Corporate Resources	Karen Hailes, FCIPD

## 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 below:

- **Legacy income** – this represents approximately 45% of our total income and there is a risk that reductions in this income source could materially affect our financial position.

- **Number of pets** – 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, the national distribution of services and retaining/recruiting qualified veterinary staff. Service provision would need a long turnaround period in order to downsize operations should financial constraints require and this ought to be reflected in the level of free reserves.
- **Fundraising** – changes to the regulatory environment, continued economic uncertainty, negative publicity around charity activities and the activities of other charities can all impact on our ability to raise the funds we need to continue our work or can lead to increased costs.
- **Pensions** – although we have closed our defined benefit scheme to new members and allow future accrual until April 2019, the requirement to fund pension promises could impact our financial position.
- **IT security** – we depend upon the integrity of our systems and the accuracy of our databases to operate the charity effectively. We recognise this is a complex and rapidly changing environment.

Council is satisfied that controls and actions have been put in place to mitigate the major risks identified. However, it recognises that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

## 11. Financial review

### Overview

The UK economy continued to grow in 2017, though unevenly and the UK's departure from the European Union offers continued uncertainty and risks. Commercial conditions remained difficult. In light of increased Regulation, we have taken time to review our Fundraising practices to ensure that they reflect the high standards we aspire to. Despite these factors, we were pleased to have a record level of income and return to a net income position for the first time in several years.

Income again exceeded the £100 million threshold, increasing fractionally to £102.2 million (2016: £102.1 million). We were glad to have support again from the players of People's Postcode Lottery, which provided gross income of £7.6 million (net £2.3 million) in our trading results (compared to last year's £6.8 million gross, £2 million net) - it remains uncertain whether this will be repeated in future years. We also enjoyed record legacy income.

We spent £71.1 million on public benefit, marginally less than in 2016 (£71.6 million) as a result of better buying and operational efficiencies; note that this expenditure is significantly greater than net income raised by donations and legacy income (£57.4 million). We continued to invest in our strategy to grow awareness of PDSA, through an integrated marketing campaign, including TV advertising to promote higher levels of awareness and generate further income. This also aided our public benefit by raising public awareness of vaccinations ('Spread the word, not the disease'). This helped to drive an increase in the number of vaccinations we delivered through our hospitals with the impact of more pets being protected from preventable illnesses or diseases.

Overall, there was significant improvement in our operating position: a net income as above of £1.4 million this year compared to a net expenditure of £3.6 million in 2016. This included a gain from our investments of £1.7 million (2016: a loss of £0.6 million). As in recent years, there has been further activity to reduce costs and improve our trading performance, despite a difficult environment. Costs in support areas decreased by 0.7%. Our defined benefit pension fund had an actuarial gain this year of £5.8 million and the deficit reduced to £49.7 million.

Within this result there are the cost of two significant new provisions. The first of £1.9 million arises as a result of ceasing the Pet Practice Service – we have set aside funds for all future expected costs as the service is wound down throughout 2018, honouring existing client agreements. The second provision is for £1.2 million of VAT costs; this follows an assessment by HM Revenue and

Customs (HMRC) for their judgment on prior years' VAT recovery, which we are challenging and hope to conclude this in the first half of 2018.

## 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.

	2017		2016	
	£ million	cost/£	£ million	cost/£
Donations and legacy net income	57.4	0.15	55.7	0.19
Other trading net income	2.3	0.90	3.4	0.86
Asset-related net income	1.8	0.02	1.7	0.04
Charitable trading gross income	9.3		7.7	
<b>Net income available for charitable activities</b>	<b>70.8</b>	<b>0.36</b>	<b>68.5</b>	<b>0.39</b>

Other trading 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 Trading Limited provides the bulk of trading income, excluding donated goods, which are sold by the charity; this subsidiary's full results can be seen on page 41.

The income we receive from donations and legacies is critical and so we spend appropriate monies marketing and managing in this area, investing carefully to generate awareness and income both in the short and long-term. The table above shows that the cost of raising donations and legacy income overall from our supporters decreased from 19p per pound (£) in 2016 to 15p per pound (£) in 2017, which reflects the record legacy income this year and increased cost control.

Legacy income in 2016 of £45.8 million was 1.4% higher than 2016. It delivered around 63% of net income (2016: 63%). 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; we will also maintain and grow trading income in Retail and veterinary commercial activities.

We have continued to grow charitable trading income mainly by the rollout of paid-for concessionary services. In total, this grew by 21% to £9.3 million. In addition, clients who use our Pet Hospital services generously gave voluntary contributions of £9.4 million, an invaluable source of income; however, this was 1.5% lower than in 2016.

Our Retail division's net results continued to improve due to cost saving, growth in rag and new goods sales (up 17%) and also strengthened margins, though donated goods sales had decreased by 5%.

Our trading results were again augmented due to our support from the players of People's Postcode Lottery. The gross proceeds of £7.6 million are included in our income, though there are high operational costs and prizes to generate this income. The net surplus was £2.3 million. Currently it is uncertain whether this will be repeated in future years.

The amount spent on treatment at Pet Hospitals and with contracted services was £63.1 million and overall this was unchanged from 2016. However, this does include the provision for ceasing the Pet Practice Service identified above. The underlying costs reduced by £1.9 million, reflecting reduced pension costs as well as operational savings.

Although the precise activities undertaken for education and responsible pet ownership do vary from year-to-year the expenditure was largely unchanged this year at £2.7 million (2016: £2.8 million).

Preventive Services are paid for by clients and we saw increases in income of 1%; however costs reduced by £0.5 million to £5.3 million (8%) mainly due to reduced pharmaceutical costs.

The actuarial gain of £5.8 million in our defined benefit pension scheme was in contrast to the very large actuarial loss of £28.9 million in 2016. The main reasons behind this year's gain were assumptions relating to liabilities.

## Investments

At the end of 2017 our investments totalled £59.7 million (2016: £57.6 million) and this is primarily an investment portfolio of externally managed investment funds, along with some investment properties managed by the charity and a small interest-bearing deposit account.

We delegate day-to-day management of the investment portfolio to two professional fund managers. 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 Finance & Investment Committee regularly reviews the managers' performance.

Our two investment managers are Newton Investment Management and Aberdeen Standard 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 the turbulence seen in recent years, reflecting the many uncertain conditions: the vote to exit the European Union by the UK; the US election and currency fluctuations. Overall, there was a small total return on investment funds of £1.3 million (2016: £0.3 million) of these, the Standard Life fund produced a gain of 3.05% gross of fees, whereas the Newton fund returned a gain of 3.3% gross of fees.

We are implementing a review of our investment strategy during 2018 to ensure our investments provide the correct level of returns when considered against risk profiles and diversification against other assets.

Investment properties are re-valued each year. The value at 31 December 2017 was £2.5 million (2016: £1.8 million). One property had a £1.2 million increase in value as it was removed from the Green Belt under the new Local Development Plan. We also sold two properties during the year.

## Reserves and going concern

Council considers reserves regularly as part of its business planning process. It seeks to ensure that sufficient reserves are available 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 costs not anticipated in the Business Plan.

The total funds of the Group at the end of 2017 were £48 million (2016: £40.8 million). Of these funds, £2.2 million were restricted income funds or endowments (2016: £2.6 million). Council has decided to cease the designation of funds for replacement Pet Hospitals and so the value of the designated fund was reduced to nil (2016: £39.5 million).

In 2017, Trustees reviewed the suitability of the Reserves Policy and considered the Charity Commission's guidance on Reserves Policies in its publication CC19. Our policy is supported by contingency planning to determine the potential impact on the level of reserves by defined risk factors. Our contingency planning determines the level of 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.

Council has determined that the level of free reserves needed should fall within the range £50 million to £75 million. This level is reviewed by Council on a regular basis. Amongst other factors, Council has noted the importance of reserves covering at least a year's expenditure in our veterinary areas and supporting costs, which, based on 2017's Business Plan, would amount to approximately £50 million.

At 31 December 2017 the charity had free reserves of £58.9 million (2016: £55.2 million), as calculated in the table below.

<b>£ millions</b>	<b>2017</b>	<b>2016</b>
Total charity funds	48.0	40.8
Pension reserve	49.7	57.7
Endowment funds	(0.9)	(0.9)
Restricted income funds	(1.4)	(1.7)
<b>Unrestricted funds</b>	<b>95.4</b>	<b>95.9</b>
Pension funding commitments	(22.7)	(24.7)
Carrying value of functional assets	(23.2)	(25.3)
Legacy contingent asset	9.4	9.3
<b>Free reserves</b>	<b>58.9</b>	<b>55.2</b>

The pension funding commitment represents the cash value of 10 years of future funding commitments to the defined benefit pension scheme - The People's Dispensary for Sick Animals Retirement Benefits Plan (1978); the legacy contingent asset represents 80% of the value of the legacy pipeline.

Our investment funds have sufficient liquidity to provide the flexibility to manage any potential downturn in income and 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 public benefit. To assist this review, cash forecasting is an important element of Group financial management.

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, The People's Dispensary for Sick Animals Retirement Benefits Plan (1978) (RBP) and a Group Personal Pension (GPP) Plan. The GPP Plan was opened in January 2008 for new employees. The charity is committed to ensuring it will continue to offer suitable pension benefits for employees.

The defined benefit pension scheme has been closed to new employees since 2006 and had a deficit, as calculated under the provisions of FRS 102, of £49.7 million at 31 December 2017 (2016: £57.7 million). The latest triennial actuarial valuation was carried out as at 31 December 2014 and this showed a deficit of £35 million. In February 2016 the charity announced proposals regarding



the future of the Retirement Benefits Plan and entered in to a consultation period with active members; members were offered options about continuing to generate future benefit accrual until 5 April 2019 when the Plan will close, or to become members of the GPP Plan.

Existing members of the defined benefit pension scheme can transfer to this Plan at their request.

Approved by Council and signed on its behalf by:

A handwritten signature in black ink that reads "John Smith." The signature is written in a cursive style with a period at the end.

John Smith  
Chair  
26 April 2018

## 12. Independent Auditor's Report to Council of the People's Dispensary for Sick Animals

### Opinion

We have audited the financial statements of The People's Dispensary for Sick Animals ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2017 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010 and The People's Dispensary for Sick Animals Acts 1949 and 1956.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the Trustees Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises: The Chair's letter, the Director General's letter and the Trustees Annual Report. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- adequate/proper accounting records have not been kept by the Parent Charity; or
- the Parent Charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the parent Charity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Don Bawtree (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Gatwick, United Kingdom  
Date: 10 May 2018

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under 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			£'000		
For the years ended 31 December		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		funds	funds and	2017	funds	funds and	2016
			endowments			endowments	
<b>Income and endowments from:</b>		<b>Note</b>					
Donations and legacies	1,2	62,286	5,109	<b>67,395</b>	64,135	4,363	68,498
Other trading activities	2	23,724	-	<b>23,724</b>	24,158	-	24,158
Charitable trading activities	2	9,251	-	<b>9,251</b>	7,672	-	7,672
Investments	2	1,468	-	<b>1,468</b>	1,517	-	1,517
Net gain on disposal of fixed assets		326	-	<b>326</b>	300	-	300
<b>Total income</b>		<b>97,055</b>	<b>5,109</b>	<b>102,164</b>	<b>97,782</b>	<b>4,363</b>	<b>102,145</b>
<b>Expenditure on:</b>							
<b>Raising funds</b>							
Donations and legacies	3	9,946	-	<b>9,946</b>	12,821	-	12,821
Other trading activities	3	21,415	-	<b>21,415</b>	20,707	-	20,707
Investments	3	33	-	<b>33</b>	72	-	72
<b>Total expenditure on raising funds</b>		<b>31,394</b>	<b>-</b>	<b>31,394</b>	<b>33,600</b>	<b>-</b>	<b>33,600</b>
<b>Net income available for charitable activities</b>		<b>65,661</b>	<b>5,109</b>	<b>70,770</b>	<b>64,182</b>	<b>4,363</b>	<b>68,545</b>
<b>Charitable activities:</b>							
Treatment at Pet Hospitals and by contracted services	3	58,207	4,854	<b>63,061</b>	59,270	3,792	63,062
Education: responsible pet ownership	3	2,116	630	<b>2,746</b>	2,098	684	2,782
Preventive services	3	5,264	-	<b>5,264</b>	5,742	-	5,742
<b>Total expenditure on charitable activities</b>		<b>65,587</b>	<b>5,484</b>	<b>71,071</b>	<b>67,110</b>	<b>4,476</b>	<b>71,586</b>
<b>Total expenditure</b>		<b>96,981</b>	<b>5,484</b>	<b>102,465</b>	<b>100,710</b>	<b>4,476</b>	<b>105,186</b>
Net gains/(losses) on investments	7	1,657	-	<b>1,657</b>	(597)	-	(597)
<b>Net income/(expenditure)</b>		<b>1,731</b>	<b>(375)</b>	<b>1,356</b>	<b>(3,525)</b>	<b>(113)</b>	<b>(3,638)</b>
Transfers between funds	14	13	(13)	-	52	(52)	-
Actuarial gain/(loss) on defined benefit pension scheme	19	5,800	-	<b>5,800</b>	(28,900)	-	(28,900)
<b>Net movement in funds</b>		<b>7,544</b>	<b>(388)</b>	<b>7,156</b>	<b>(32,373)</b>	<b>(165)</b>	<b>(32,538)</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		38,196	2,628	<b>40,824</b>	70,569	2,793	73,362
<b>Total funds carried forward</b>	<b>14</b>	<b>45,740</b>	<b>2,240</b>	<b>47,980</b>	<b>38,196</b>	<b>2,628</b>	<b>40,824</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

At 31 December 2017

		Group		Charity	
	Note	Total 2017	Total 2016	Total 2017	Total 2016
<b>Fixed assets</b>					
Tangible assets	6	23,188	25,310	24,299	26,422
Investments	7	59,694	57,627	59,694	57,627
<b>Total fixed assets</b>		<b>82,882</b>	82,937	<b>83,993</b>	84,049
<b>Current assets</b>					
Stocks – finished goods and goods for resale		1,749	1,574	1,452	1,380
Debtors	8	22,369	20,412	24,987	22,714
Investments	9	19	19	19	19
Cash at bank and in hand		2,556	1,620	415	90
<b>Total current assets</b>		<b>26,693</b>	23,625	<b>26,873</b>	24,203
Creditors – amounts falling due within one year	10	(7,264)	(7,400)	(7,045)	(7,581)
<b>Net current assets</b>		<b>19,429</b>	16,225	<b>19,828</b>	16,622
<b>Total assets less current liabilities</b>		<b>102,311</b>	99,162	<b>103,821</b>	100,671
Creditors – amounts falling due after more than one year	11	(9)	(16)	(9)	(16)
Provisions for liabilities	12	(4,622)	(622)	(4,622)	(622)
<b>Net assets excluding pension liability</b>		<b>97,680</b>	98,524	<b>99,190</b>	100,033
<b>Defined benefit pension scheme liability</b>	19	<b>(49,700)</b>	(57,700)	<b>(49,700)</b>	(57,700)
<b>Total net assets</b>		<b>47,980</b>	40,824	<b>49,490</b>	42,333
<b>The funds of the charity:</b>					
<b>Endowment funds</b>	14	<b>933</b>	933	<b>933</b>	933
<b>Restricted income funds</b>	14	<b>1,307</b>	1,695	<b>1,307</b>	1,695
<b>Unrestricted income funds</b>					
Unrestricted income funds	14	<b>95,440</b>	56,404	<b>96,950</b>	57,913
Designated funds	14	-	39,492	-	39,492
<b>Unrestricted funds</b>		<b>95,440</b>	95,896	<b>96,950</b>	97,405
<b>Pension reserve</b>	14	<b>(49,700)</b>	(57,700)	<b>(49,700)</b>	(57,700)
<b>Total unrestricted funds</b>		<b>45,740</b>	38,196	<b>47,250</b>	39,705
<b>Total charity funds</b>		<b>47,980</b>	40,824	<b>49,490</b>	42,333

Approved by Council and signed on its behalf on 26 April 2018



John Smith

Chair

## Consolidated Statement of Cash Flows

		£'000	
For the year ended 31 December 2017		2017	2016
	Note		
<b>Cash flows from operating activities</b>	a	<b>3,664</b>	(884)
<b>Cash flows from investing activities</b>			
Dividends, interest and rents from investments		1,468	1,517
Purchase of property plant and equipment		(195)	(368)
Proceeds from the sale of property, plant and equipment		409	436
Purchase of investments		(1,033)	(1,109)
Pension deficit contributions		(4,000)	(2,000)
Proceeds from the sale of investments		623	6,220
<b>Net cash provided by investing activities</b>		<b>(2,728)</b>	4,696
<b>Cash flows from financing activities</b>			
Receipt of endowment		-	70
<b>Change in cash and cash equivalents in the reporting period</b>		<b>936</b>	3,882
<b>Cash and cash equivalents at the beginning of the reporting period</b>	b	<b>1,639</b>	(2,243)
<b>Cash and cash equivalents at the end of the reporting period</b>	b	<b>2,575</b>	1,639
<b>Note a. Reconciliation of net expenditure to net cash from operating activities</b>			
		2017	2016
Net expenditure for the reporting period		1,356	(3,638)
Adjustments for:			
Investment income		(1,468)	(1,517)
Net gain on disposal of tangible fixed assets		(326)	(300)
Endowments received		-	(70)
Depreciation		2,234	2,777
Movements on investments		(1,657)	597
Decrease in pension provision excluding actuarial loss		1,800	4,581
(Increase)/decrease in stocks		(175)	36
(Increase) in debtors		(1,957)	(1,377)
(Decrease) in creditors		(143)	(2,018)
Increase in provisions		4,000	45
<b>Net cash used in operating activities</b>		<b>3,664</b>	(884)
<b>Note b. Analysis of cash and cash equivalents and changes in net funds</b>			
	2016	<b>Cash flow</b>	2017
Current asset investments	19	-	19
Cash at bank and in hand	1,620	936	2,556
<b>Total</b>	<b>1,639</b>	<b>936</b>	<b>2,575</b>

## Notes to the financial statements for the year ended 31 December 2017

### 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 Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2016.

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 2 to 23 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 2017.

#### 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. In our estimate and judgement, residuary legacies are recognised when the charity is advised by the personal representative of an estate that payment will be made or assets transferred and in the opinion of management, the amount can be quantified with reasonable accuracy and will probably be received. This estimate includes a reduction to reflect the proportion of the prior year debtors not received in subsequent years and so allows for the potential variation in settlement values and the risk of a will being contested.

Donated goods are included in income when received.



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.

The gross proceeds from PPL are recorded as income in the SOFA.

### 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.

Costs for future property dilapidations, in our estimate and judgement: are estimated based on the number of properties rented subject to dilapidation clauses, each having an expected future cost based on the actual average spends per property incurred in earlier years.

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

The charity has a policy to conduct impairment reviews in accordance with the requirements of FRS 102.

### Investment properties

In accordance with FRS 102 these properties are revalued. Revaluations are undertaken periodically by professionally qualified surveyors on the basis of open market value. In our estimate and judgement these are revised in subsequent years by reference to published indices or comparative evidence and assessment of the circumstances of each property by PDSA's professional qualified surveyors.

### 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. Donated goods are included at fair value on receipt. The stock represents the amount of goods donated by the general public which we hold at our shops at year-end. In our estimate and judgement, the value is calculated by applying an average sales value, adjusted for Gift Aided sales, to the volume of goods we have unsold at year-end.

## Financial instruments

The PDSA Group only holds basic financial instruments. Investments are measured at fair value and shown in Note 7 to the accounts. Financial instruments held within current assets and current liabilities are measured at the cash expected to be paid or received which is considered to be amortised cost and is shown in Notes 8, 9 and 10. The bank overdraft is measured as the amount drawn down.

The Group balances included in the accounts are as follows:

	2017	2016
	£'000	£'000
Fixed Asset Investments	59,694	57,627
Debtors	22,369	20,412
Current Asset Investments	19	19
Creditors: amounts falling due within one year	7,264	7,400

## 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 (GPP) 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 of the lease.

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.

### **Provisions**

Provisions for future liabilities are recognised when PDSA has a legal or constructive financial obligation that can be reliably estimated and for which there is an expectation that payment will be made. Estimation techniques involve assumptions, which are based on experience.

£'000

	2017	2016
<b>2. Income and endowments</b>		
<b>Donations and legacies</b>		
Legacies receivable	45,755	45,135
Donations and gifts	21,640	23,363
	<b>67,395</b>	<b>68,498</b>
<b>Other trading activities</b>		
Lottery and similar income*	8,895	8,836
Sale of donated goods**	11,757	12,388
Sale of new goods	1,589	1,350
Other sales income	1,483	1,584
	<b>23,724</b>	<b>24,158</b>
<b>Charitable trading activities</b>		
Preventive services	7,480	7,390
Concessionary services	1,771	282
	<b>9,251</b>	<b>7,672</b>
<b>Investments</b>		
Listed securities – dividends	1,031	1,068
Bank and other interest	1	2
Rents receivable	436	447
	<b>1,468</b>	<b>1,517</b>

\*2017 lottery income includes £7,577,000 received from players of the People's Postcode Lottery for lotteries drawn in 2017 (2016: £6,771,000)

\*\* 2017 includes income of £3,282,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid programme (2016: £3,453,000)

	Activities undertaken directly	Support costs allocated	2017 Total	2016 Total
<b>3. Expenditure</b>				
<b>Expenditure raising funds</b>				
Legacies receivable	1,321	106	1,427	2,254
Donations and gifts	5,458	292	5,750	6,705
Raising public perception and awareness	2,620	149	2,769	3,862
	<b>9,399</b>	<b>547</b>	<b>9,946</b>	<b>12,821</b>
<b>Expenditure on other trading activities</b>				
Merchandising, charity shop and other trading	13,911	1,313	15,224	15,105
Lottery ticket sales	5,956	235	6,191	5,602
	<b>19,867</b>	<b>1,548</b>	<b>21,415</b>	<b>20,707</b>
<b>Expenditure on investments</b>	28	5	33	72
<b>Expenditure on charitable activities:</b>				
Treatment at Pet Hospitals and by contracted services	56,976	6,085	63,061	63,062
Education: responsible pet ownership	2,524	222	2,746	2,782
Preventive services	4,974	290	5,264	5,742
	<b>64,474</b>	<b>6,597</b>	<b>71,071</b>	<b>71,586</b>
	<b>93,768</b>	<b>8,697</b>	<b>102,465</b>	<b>105,186</b>

£'000

<b>Support costs breakdown by activity</b>	<b>Human Resources</b>	<b>Property Services</b>	<b>Finance and Management</b>	<b>Information Technology</b>	<b>2017</b>	<b>2016</b>
Expenditure raising funds						
Legacies receivable	25	-	52	29	106	168
Donations and gifts	26	-	214	52	292	273
Raising public perception and awareness	24	-	103	22	149	160
Expenditure on other trading activities						
Merchandising, charity shop and other trading	255	222	510	326	1,313	1,404
Lottery ticket sales	2	-	233	-	235	169
Expenditure on Investments	-	4	1	-	5	10
Expenditure on charitable activities:						
Treatment at Pet Hospitals and by contracted services	1,790	305	2,236	1,754	6,085	6,092
Education: responsible pet ownership	62	-	99	61	222	203
Preventive services	94	-	196	-	290	277
<b>Total support costs</b>	<b>2,278</b>	<b>531</b>	<b>3,644</b>	<b>2,244</b>	<b>8,697</b>	<b>8,756</b>

Governance costs in the year of £177,000 (2016: £215,000) are included within Finance and Management support costs

#### 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:

	<b>2017</b>	<b>2016</b>
Auditor's remuneration		
audit fees charity	45	44
audit fees subsidiaries	5	5
non-audit fees charity	-	-
- tax services	-	-
- other consultancy services	-	3
non-audit fees subsidiaries	4	4
- tax services	4	4
- other consultancy services	12	-

#### 5. Employees

##### Employment costs

	<b>2017</b>	<b>2016</b>
Salaries	42,120	42,453
Social security costs	3,815	3,823
Defined benefit pension costs	3,517	7,214
Other employer pension costs	2,280	1,950
Redundancy payments	70	170
Other staff costs	210	242
Apprentice Levy	152	-
<b>Total</b>	<b>52,164</b>	<b>55,852</b>

During 2017, 23 employees were made redundant, (58 in 2016). In 2017 this was a result of restructuring and closure of selected shops.

##### Average number of employees, calculated on a full-time equivalent basis

	<b>2017</b>	<b>2016</b>
Veterinary	1,089	1,068
Retail	240	250
Marketing and fundraising	107	106
Other	156	169
<b>Total</b>	<b>1,592</b>	<b>1,593</b>

	2017	2016
<b>Employment costs</b>		
The number of higher-paid employees whose emoluments were within the following scales was as follows:		
£60,001–£70,000	19	17
£70,001–£80,000	2	5
£80,001–£90,000	5	4
£90,001–£100,000	2	1
£100,001–£110,000	2	2
£110,001–£120,000	1	1
£140,001–£150,000	1	1

Ten (2016: nine) of the higher-paid staff are members of the charity's defined benefit pension scheme. Twenty-one are members of the Group Personal Pension (GPP) Plan (2016: twenty-one). Seven of these staff members contribute to the GPP under Auto Enrolment guidelines (2016: six). Fourteen of the staff members contribute to the GPP by paying contributions in excess of the Auto Enrolment minimum rates (2016: fifteen). Nineteen of the higher paid employees are employed in our Veterinary Services team (59%).

The total remuneration of the Executive team in 2017 was £595,000. The highest paid employee was the Director General. The total remuneration of the Executive team in 2016 was £655,000. Total remuneration includes pension contributions.

The charity's defined pension scheme will close to future accrual with effect from 5 April 2019 following a transition period which commenced on 1 July 2016 following consultation.

Members of Council do not receive any remuneration.

Travel, accommodation, telecommunications, entertainment and training costs incurred by Council members on charity business are reimbursed or are paid directly by the charity. This amounted to £8,869 during the year for eleven Council members (2016: £6,566 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 2017	392	3,853	402	5,551	33,142	5,253	15,014	176	63,783
Additions	1	-	-	9	38	-	147	-	195
Disposals	-	-	-	(142)	(671)	-	(35)	(52)	(900)
<b>At 31 December 2017</b>	<b>393</b>	<b>3,853</b>	<b>402</b>	<b>5,418</b>	<b>32,509</b>	<b>5,253</b>	<b>15,126</b>	<b>124</b>	<b>63,078</b>
<b>Depreciation</b>									
At 1 January 2017	-	1,297	111	4,955	16,427	2,659	12,868	156	38,473
Charge for the year	-	84	14	206	1,054	155	709	12	2,234
Disposals	-	-	-	(114)	(616)	-	(35)	(52)	(817)
<b>At 31 December 2017</b>	<b>-</b>	<b>1,381</b>	<b>125</b>	<b>5,047</b>	<b>16,865</b>	<b>2,814</b>	<b>13,542</b>	<b>116</b>	<b>39,890</b>
<b>Net book value</b>									
<b>At 31 December 2017</b>	<b>393</b>	<b>2,472</b>	<b>277</b>	<b>371</b>	<b>15,644</b>	<b>2,439</b>	<b>1,584</b>	<b>8</b>	<b>23,188</b>
At 31 December 2016	392	2,556	291	596	16,715	2,594	2,146	20	25,310

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 £393,000 and the exclusion of the intra-group profit of £1,504,000. The intra-group profit arose from the construction and sale of PDSA Pet Hospital buildings by subsidiaries of the charity.

Certain freehold assets are charged to provide security against specific liabilities. The NBV of these assets at 31 December 2017 is £7,968,000 (2016: £8,377,000)

## 7. Fixed asset investments

### Group and charity

	Investment properties				
	Listed	Unlisted	Long		Total
	investments	investments	Freehold	leasehold	
At 1 January 2017	55,871	-	1,756	-	57,627
Additions/transfers in	1,031	-	2	-	1,033
Withdrawals/transfers out	-	-	(623)	-	(623)
Net gains/(losses) on revaluations and disposals	288	-	1,369	-	1,657
<b>At 31 December 2017</b>	<b>57,190</b>	<b>-</b>	<b>2,504</b>	<b>-</b>	<b>59,694</b>

At 31 December 2017 and 2016 the charity had the following holdings constituting more than 5% of the portfolio market value:

	2017	2016
Newton Real Return Fund	29,254	28,584
Standard Life Global Absolute Return Strategies Fund	27,936	27,287
The total of UK listed investments	57,190	55,871

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 2017 of £2,504,000. All properties were revalued in the year. Two properties (total value £1,940,000) were valued by RICS-qualified external valuers. The remaining four properties (total value £564,000) were valued by PDSA RICS-qualified staff. Properties are valued at fair value with reference to condition, location and market data.

## 8. Debtors

	Group		Charity	
	2017	2016	2017	2016
Due within one year:				
Accrued legacies	19,382	18,167	19,382	18,167
Amounts due from subsidiary undertakings	-	-	2,967	2,467
Income tax recoverable	344	501	344	501
Sundry debtors	799	616	601	456
Prepayments	1,693	1,128	1,693	1,123
	22,218	20,412	24,987	22,714
Due after more than one year:				
Other loans	151	-	-	-
<b>Total</b>	<b>22,369</b>	<b>20,412</b>	<b>24,987</b>	<b>22,714</b>

The charity has received notification of legacies amounting to approximately £11,698,000 (2016: £11,595,000).

This total has not been recognised as income at 31 December 2017, but represents a contingent asset that will be recognised in future years.

## 9. Current asset investments

### Group and charity

	Interest bearing deposit accounts
At 1 January 2017	19
Increase	-
<b>At 31 December 2017</b>	<b>19</b>

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

	Group		Charity	
	2017	2016	2017	2016
Bank overdraft	-	-	-	471
Trade creditors	3,080	2,791	3,072	2,773
Taxation and social security	1,119	937	1,119	937
Sundry creditors	582	738	454	526
Deferred income	26	-	-	-
Accruals	2,457	2,934	2,400	2,874
	7,264	7,400	7,045	7,581

£'000

	2017	2016
<b>11. Creditors: amounts falling due after more than one year</b>		
<b>Group and charity</b>		
Sundry creditors	9	16
	<b>9</b>	<b>16</b>

	2017	2016
<b>12. Provisions for liabilities</b>		
<b>Group and charity</b>		
Obligations for dilapidations in respect of rented properties the leases of which expire by 2027:		
At the beginning of the year	622	577
Change in the year resulting from the number of properties and average projected cost per property	415	45
At the end of the year	<b>1,037</b>	<b>622</b>

Obligations for costs following closure of the Pet Practice Scheme		
At the beginning of the year	-	-
Change in the year resulting from decision to close Pet Practice Scheme	1,920	-
At the end of the year	<b>1,920</b>	<b>-</b>

Provision for potential change to VAT recovery calculation method		
At the beginning of the year	-	-
Change in the year resulting from potential change to VAT recovery calculation method	1,165	-
At the end of the year	<b>1,165</b>	<b>-</b>

Provision for future marketing event costs		
At the beginning of the year	-	-
Change in the year resulting from future marketing event costs	500	-
At the end of the year	<b>500</b>	<b>-</b>

### 13. Analysis of Group net assets between funds

Fund balances at 31 December 2017 are represented by:

	Restricted	General	Total
Tangible fixed assets	477	22,711	23,188
Investments	-	59,694	59,694
Current assets	1,763	24,930	26,693
Creditors – amounts falling due within one year	-	(7,264)	(7,264)
Creditors – amounts falling due after more than one year	-	(9)	(9)
Provisions for liabilities	-	(4,622)	(4,622)
Net assets excluding pension liability	2,240	95,440	97,680
Defined benefit pension scheme liability	-	(49,700)	(49,700)
Net assets including pension liability	2,240	45,740	47,980



14. Statement of funds	At 1 January 2016	Income	Expenditure	Actuarial/ investment gains	Transfers	At 31 December 2017
<b>General fund</b>	56,404	97,055	(96,981)	7,457	31,505	95,440
<b>Designated fund</b>						
PDSA Pet Hospital replacement	39,492	-	-	-	(39,492)	-
	39,492	-	-	-	(39,492)	-
<b>Unrestricted funds excluding pension reserve</b>	95,896	97,055	(96,981)	7,457	(7,987)	95,440
<b>Pension reserve</b>	(57,700)	-	-	-	8,000	(49,700)
<b>Total unrestricted funds</b>	38,196	97,055	(96,981)	7,457	13	45,740
<b>Restricted funds</b>						
<b>Permanent endowment</b>						
A.W. Blackwell bequest	933	-	13	-	(13)	933
<b>Total permanent endowment funds</b>	933	-	13	-	(13)	933
<b>Income funds</b>						
Restricted legacies	392	4,727	(4,542)	-	-	577
Digital x-ray – appeal	106	-	(20)	-	-	86
PetWise for Cats programme	869	2	(630)	-	-	241
Manchester PDSA Pet Hospital – capital appeal	267	71	-	-	-	338
Manchester PDSA Pet Hospital – capital appeal equipment	53	-	-	-	-	53
Nottingham PDSA Pet Hospital - general expenditure	-	20	(20)	-	-	-
Senior Veterinary Nurse costs	-	17	(17)	-	-	-
General Hospital equipment	-	30	(30)	-	-	-
Miscellaneous restricted donations less than £15,000	8	242	(238)	-	-	12
<b>Total restricted income funds</b>	1,695	5,109	(5,497)	-	-	1,307
<b>Total restricted funds</b>	2,628	5,109	(5,484)	-	(13)	2,240
<b>Total funds excluding pension reserve</b>	98,524	102,164	(102,465)	7,457	(8,000)	97,680
<b>Total funds</b>	40,824	102,164	(102,465)	7,457	-	47,980

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

The designation of funds for replacement Pet Hospitals was ceased in the year and so the value of designated funds was reduced to nil (2016: £39.5 million).

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 FRS102.

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

- The A.W. Blackwell endowment reduced interest expense by £13,000 by reducing PDSA's overdraft; the income is unrestricted and so is transferred.

· Legators have specified restrictions for use within a specific geographical location or application. The balance carried forward comprises:

Ilford Pet Clinic £143,000, PetCheck vehicle in the West Midlands £25,000, Helmsley/Kirbymoorside £338,000, Northumberland £20,000,

Bishop Auckland £19,000, Bristol £5000, Stourbridge £25,000, and other restricted legacies of £2,000.

	£'000	
<b>15. Related parties</b>	<b>2017</b>	2016
<b>Sales from PDSA to PDSA Trading Limited</b>		
Allocation of shared staff and overhead costs	4,836	4,902
	<b>4,836</b>	4,902
<b>Sales from PDSA to PDSA PetAid Enterprises Limited</b>		
Allocation of shared staff and overhead costs	206	247
	<b>206</b>	247
<b>Sales from PDSA Trading Limited to PDSA</b>		
Acquisition of donors and administration of the Retail Gift Aid sales scheme	3,412	3,744
	<b>3,412</b>	3,744
<b>Amounts owed to PDSA by Subsidiary undertakings</b>		
PDSA Trading Limited	2,675	804
PDSA PetAid Enterprises Limited	266	1,637
PDSA Property Services Limited	26	26
	<b>2,967</b>	2,467
<b>16. Capital commitments</b>	<b>2017</b>	2016
<b>Group and charity</b>		
<b>Purchase of tangible fixed assets authorised but not contracted</b>	<b>2,167</b>	706
<b>17. Operating lease commitments</b>	<b>2017</b>	2016
<b>Group and charity</b>		
Total commitments not provided for in these financial statements under non-cancellable operating leases are as follows:		
Amounts payable:		
Within one year	2,682	2,825
Within two to five years	6,197	6,302
After more than five years	1,446	2,081
	<b>10,325</b>	11,208

### 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:

	Company number	
<b>PDSA Trading Limited</b>	1595637	Principal activities: 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>	2340793	The company is currently not trading.
<b>PDSA PetAid Enterprises Limited</b>	4374375	Principal activities: the construction of new PDSA Pet Hospitals for the charity and commercial veterinary activities

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

#### A Statement of Financial Activities for the charity only (presented in summary form to aid the understanding of the reader).

	Unrestricted funds	Restricted funds and endowments	Total 2017	Unrestricted funds	Restricted funds and endowments	Total 2016
Total income	88,110	5,109	93,219	89,920	4,363	94,283
Total expenditure	(88,036)	(5,484)	(93,520)	(92,861)	(4,476)	(97,337)
Net gains on investments	1,658	-	1,658	(597)	-	(597)
<b>Net expenditure</b>	1,732	(375)	1,357	(3,538)	(113)	(3,651)
Transfers between funds	13	(13)	-	52	(52)	-
Actuarial gain/(loss) on defined benefit pension scheme	5,800	-	5,800	(28,900)	-	(28,900)
<b>Net movement in funds</b>	7,545	(388)	7,157	(32,386)	(165)	(32,551)
<b>Reconciliation of funds</b>						
Total funds brought forward	39,705	2,628	42,333	72,091	2,793	74,884
<b>Total funds carried forward</b>	47,250	2,240	49,490	39,705	2,628	42,333

#### A summary of the results of the subsidiaries:

For the year ended 31 December	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2017	2016	2017	2016	2017	2016
Income	14,603	14,780	-	-	756	725
Expenditure	(11,813)	(11,092)	(1)	(1)	(545)	(533)
Profit/(loss) for the year	2,790	3,688	(1)	(1)	211	192
Gifted to The People's Dispensary for Sick Animals	(2,790)	(3,688)	-	-	(211)	(192)
Retained loss	-	-	(1)	(1)	-	-

£'000

Aggregate of the assets and liabilities:

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>	2,737	872	14	15	482	1,864
<b>Liabilities</b>	(2,730)	(865)	(27)	(27)	(482)	(1,864)
<b>Net assets/(liabilities)</b>	<b>7</b>	<b>7</b>	<b>(13)</b>	<b>(12)</b>	<b>-</b>	<b>-</b>

£ millions

### 19. Defined benefit pension scheme

The Society operates a defined benefit pension scheme that pays out pensions at retirement based on service and final pay. It has applied Section 28 of FRS102 and the following disclosures relate to this standard. It recognises any gains and losses in each period within the Consolidated Statement of Financial Activities under the heading of 'Actuarial gains/(losses) on defined benefit pension scheme'. The funding policy is agreed between the Retirement Benefit Plan (1978) (RBP) Trustees and the Society and is formally set out in a Statement of Funding Principles, Schedule of Contributions and Recovery Plan following each full actuarial valuation. The latest such valuation was carried out as at 31 December 2014 and showed a deficit of £35.3 million. A future funding schedule has been agreed with the Trustees of the RBP to eliminate the deficit by 31 December 2031. An independent qualified actuary has calculated the RBP liabilities from data provided by the RBP administrators as at 31 December 2014. Information provided with respect to the active population at 30 June 2016 and cashflow information over the year was provided by the society.

Following a period of consultation with the active members over proposals to close the RBP Scheme to future accrual, we can confirm that the proposals were accepted on 30 June 2016 and the Scheme will be closed to future accrual with effect from 5 April 2019.

In respect of the deficit arising from the 31 December 2014 Triennial Valuation of the RBP Scheme, we have entered into security arrangements with the RBP Trustees to support the deficit recovery plan agreed from the 2014 Triennial Valuation.

#### Contingent liability

Potential exists for an increased liability for the scheme which relates to the historic execution of deeds. The crystallisation of such a liability would result in payments over the lifetime of the scheme. The value of that contingent liability is not yet determinable, however, this liability may be offset by other benefits; and / or by potential recourse to third parties.

#### The amounts recognised in the balance sheet are as follows:

	2017	2016
Present value of funded obligations	(168.6)	(168.6)
Fair value of scheme assets	118.9	110.9
<b>Net defined benefit liability</b>	<b>(49.7)</b>	<b>(57.7)</b>

#### The amounts recognised in the Consolidated Statement of Financial Activities as income and expenditure are as follows:

	2017	2016
Current service cost	1.3	1.8
Losses on curtailments and settlements	-	2.9
Scheme administration expenses	0.4	0.7
Net interest on the defined benefit liability	1.5	1.1
<b>Total</b>	<b>3.2</b>	<b>6.5</b>

#### The amounts recognised in the Consolidated Statement of Financial Activities as actuarial (losses) and gains are as follows:

	2017	2016
Actuarial gains/(losses) - changes in the present value of the defined benefit obligation	0.9	(40.7)
Return on scheme assets excluding interest income	4.9	11.8
<b>Total</b>	<b>5.8</b>	<b>(28.9)</b>

	2017	2016
Return on the scheme assets	7.7	15.5

**Changes in the present value of the defined benefit obligation are as follows:**

	2017
Opening defined benefit obligation	168.6
Current service cost	1.3
Interest expense	4.3
Actuarial losses	(0.9)
Benefits paid	(4.7)
Closing defined benefit obligation	168.6

**Changes in the fair value of scheme assets**

	2017
Opening fair value of the scheme assets	110.9
Interest income	2.8
Return on scheme assets excluding interest income	4.9
Scheme administration expenses	(0.4)
Contributions by employer	5.4
Benefits paid	(4.7)
Closing fair value of the scheme assets	118.9

The £5.4 million of contributions by the Society to the RBP were broken down as follows: £0.7 million of standard accrual contributions, £4.0 million of employer deficit recovery contributions, £0.3 million of employer SMART contributions and £0.4m in administration expenses contributions.

For the year to 31 December 2018, the society expects to pay approximately £5.4 million accrual (including SMART contributions paid by the Society on the members' behalf), administration expenses and deficit contributions to the People's Dispensary for Sick Animlas Retirement Benefits Plan (1978). This assumes that there are no changes to the membership or benefits over the year.

**The major categories of scheme assets as a percentage of total scheme assets are as follows:**

	2017	2016
Equities and property	47.0%	45.1%
Corporate bonds	0.0%	7.6%
Gilts	27.6%	17.8%
Insurance policy	24.8%	27.5%
Cash	0.6%	2.1%

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

	2017		2016	
	Pensioner	Non Pensioner	Pensioner	Non Pensioner
Discount rate (pre-retirement)		2.45%		2.55%
Discount rate (post-retirement)	2.35%	2.45%	2.45%	2.55%
Price inflation	RPI	3.20%	3.30%	3.25%
	CPI	2.20%	2.30%	2.25%
Future salary increases		0.00%		0.00%
Future pension increases	RPI max 5%	3.05%	3.15%	3.10%
	RPI max 2.5%	2.10%	2.10%	2.10%
Cash commutation	All members are assumed to commute the maximum cash amount			
Mortality tables used	<b>S2PA year of birth tables with CMI 2016 projections and 1.25% long-term trend rate and a smoothing factor of 7.5</b>		S2PA year of birth tables with CMI 2015 projections and 1.25% long-term trend rate	
Mortality - current pensioners, male life expectancy at age 65	22.1 years		22.2 years	
Mortality - future pensioners, male life expectancy at age 65 (current age 50)	23.5 years		23.9 years	

## 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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