

**ANNUAL REPORT
& ACCOUNTS
2015**



What we do

As the UK's leading veterinary charity with 51 Pet Hospitals and Pet Clinics and 379 supporting Pet Practices providing vital lifesaving care, no other animal charity compares to PDSA – both in terms of scale and impact on pet wellbeing.

Our 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.

In 2015 PDSA provided 2.14 million free PDSA Pet Hospital treatments to 451,000 of the nation's much-loved pets. Pets are members of the family so we never turn away a sick or injured pet in an emergency.

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

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

100% of eligible households in the UK are covered by our services through:

- 42 PDSA Pet Hospitals
- 9 PDSA Pet Clinics
- 379 PDSA Pet Practices
- PDSA Pet Treatment Fund

Administrative details

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

Head Office

Telephone: 01952 290999

Website: www.pdsa.org.uk

Patron

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

Trustees' Report

Contents

1. Chairman's letter	3
2. Achieving our vision and mission	5
3. Public benefit	7
4. Achieving our strategic goals	8
5. About PDSA	13
6. Financial review	18
7. Auditor's report	21
8. Financial Statements	22

1. Chairman's letter

As I enter my second year as Chairman of PDSA, I am proud to report that we spent a record amount of £72.9 million fulfilling our mission to improve the lives of animals, the majority of which are pets and their owners in need of help. However, in parallel to this, there has been a dramatic change to the landscape in which all charities operate. The inappropriate fundraising practices of some charities is certainly only a very small part of all charitable activity, but it has attracted strong criticism from the media, the Charity Commission and the Government. Increased regulation of fundraising activities is on course and this has created further uncertainty for charities' future planning.

In PDSA, we fully support the direction of the new regulatory proposals. As the UK's leading veterinary charity, we always put animal welfare at the heart of everything we do. We cherish our reputation and have acted to protect this for the benefit of the pets and owners we serve, our supporters and our employees. Our approach to fundraising is designed to nurture the respect and goodwill of our supporters, whilst at the same time to look energetically for new ways to raise funds without which we cannot survive. These principles must be seen against the background of a drop in income in 2015 and an ongoing requirement to fund our mission, including financing the operation of our 51 Pet Hospitals and Pet Clinics, from the generosity of the British public, without one penny of State funding.

So, given the current fundraising climate, I would like to clarify that we do not share personal data with other organisations, all telephone fundraising is in-house and so directly under our control, we only work with companies and individuals of high repute and, above all, all communications with existing and potential supporters are conducted with integrity and sensitivity. Within these constraints and others to come under new regulations, our fundraising team are actively pursuing a wide variety of fundraising routes, including an emphasis on social media and other technological tools, together with a range of innovative commercial initiatives and products. We expect this work to benefit directly from our improving public awareness as a result of our advertising campaigns.

An exciting development in 2015 was the final confirmation of our expanded charitable objectives, after negotiations which lasted several years. The full potential of this change is covered elsewhere in this Annual Report, but the expanded objectives will allow us to extend our veterinary services by providing not only free, but concessionary, reduced charge services to more pets and their owners. It will also simplify the delivery of preventive and educational activities through the charity. Following the great success of the 2015 pilot scheme at our Margate Clinic, The Frank and Ethel Fright Centre, it is intended to expand our concessionary service to 5 other Pet Hospitals during 2016. This exciting development will allow us to extend the public benefit we provide into new areas.

2015 also saw several other notable events, including:

- the opening of a new, state-of-the-art Pet Hospital in Oldbury, The Marian and Christina Ionescu Centre of Surgical Excellence,
- the posthumous award of a PDSA Order of Merit to Police Dog Jake for outstanding service in searching for drugs and firearms over 10 years, once again highlighting the important role of pets in society,
- the unveiling of an English Heritage Blue Plaque to commemorate our founder, Maria Dickin, and
- the operation of PetWise for Cats throughout 2015, sponsored by the Marchig Animal Welfare Trust and offering free microchipping and neutering with every PetWise welfare check.

During 2015 we established a Constitution Working Party to augment the governance provided by the four permanent Committees of Council. The working party has completed a full review and update of our Byelaws and has also reviewed financial authority limits throughout the organisation, in both cases to ensure they reflect current circumstances and are fit for purpose.

2016 will present some major challenges and so we are undertaking a detailed review of costs and exploring ways in which we can fulfil our goals more efficiently and effectively. An especially significant cost involves our pension arrangements. The mounting cost of our defined benefit pension scheme has been a matter of great concern to Council and we are far from alone in this as many other organisations in the private and not-for-profit sectors have been similarly affected. Reluctantly we have concluded further action must be taken to safeguard the charity in the future and following a period of consultation, proposals for a phased closure of the scheme over the next three years have been approved.

So, PDSA, together with the whole charity sector, is in a period of transition and we are fortunate to have the financial reserves to manage this process. What is not in doubt is that there remains a huge task for PDSA not just in the treatment of sick and injured animals, but also, as our fifth *PDSA Animal Wellbeing (PAW) Report* has once again highlighted, in our efforts towards prevention of disease and in the education of pet owners. The impact of the PAW Reports has reinforced our reputation amongst the veterinary profession and the public as the leading voice in animal welfare. To give just two examples of many in the Report, over 2.7 million dogs in the UK are not properly exercised off the lead and around 2.6 million cats now live an indoor only life. There remains so much to do. We now use the letters PET (prevent, educate, treat) to encapsulate our mission and to influence everything we do throughout PDSA and in the communities we serve.

One of the great pleasures of being Chairman of PDSA is the opportunity to talk to many of our employees and volunteers and to experience their enthusiasm and commitment to animal welfare. On behalf of Council, I would like to send a huge vote of thanks to our leaders and all our employees and volunteers for their dedication day in and day out. We are so grateful to our supporters of all types for their generous contributions of both time and money. We depend on all of you in different ways and working together we strive to achieve our vision of "A lifetime of wellbeing for every pet".

A handwritten signature in black ink that reads "John Smith". The signature is written in a cursive, slightly slanted style.

John Smith
Chairman

2. Achieving our vision and mission

Goals and values

To deliver our vision and mission we have focused on nine strategic goals:

- Uptake of health and welfare
- Accessibility of veterinary services
- Expand our education range and reach
- Promote the role of pets to society
- Awareness and support for PDSA's work
- Deliver exceptional service
- Maximise income streams
- Inspire and enable our people
- Optimise our infrastructure, systems and processes

We discuss our achievements and plans in detail from page 7.

To achieve these goals we have three underpinning values:

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

Key results for 2015

- Our expanded Charitable Objects were passed by Parliament in May 2015, with resultant changes in our vision, mission and strategic goals.
- We increased the spending on our mission by 4.9% to £72.9 million, which included a 51% increase in spend on our education programmes.
- We issued our fifth annual *PDSA Animal Wellbeing (PAW) Report*. This is the largest survey into the state of our nation's pets and it had record media coverage.
- We opened the new Birmingham (Oldbury) PDSA Pet Hospital, The Marian and Christina Ionescu Centre of Surgical Excellence.
- Our overall income reduced compared to 2014. Along with growing costs this resulted in a higher deficit for the year, though our free reserves remain above the minimum level set within our Reserves Policy.

Important background issues

- There was extensive media coverage in 2015 of some poor fundraising practices within the voluntary sector, which led to the Etherington report "Regulating Fundraising for the Future", commissioned by the Government. This recommended the introduction of a new Fundraising Preference Service (FPS). PDSA has a strong commitment to transparency and respect in all our communications with our donors and we are continually working to ensure we deliver over and above the requirements of the new FPS, in addition to inputting into the working group developing the new service.
- Though we have seen reduced income this year, we have demonstrated our commitment to our expanded Objects and increased public benefit by growing the spend on our mission.
- The retail environment continues to be difficult; in 2015 we closed 20 stores and focused our attention on increasing the profitability of the remaining estate.

- As well as income challenges, we face continued cost pressures but have sought to mitigate these through the restructuring of teams and effective buying.
- The financial statements are prepared using the accounting standard FRS 102 for the first time.

3. Public benefit – meeting the need

Our objects and mission

PDSA is governed by two Acts of Parliament (1949 and 1956) which were revised by a Parliamentary scheme in 2015.

The revised 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.

Our new objects are an exciting prospect for us, allowing the potential for greater future public benefit and impact. The first direct outcome of this change can be seen in the reduced cost concessionary services that will be trialled in five locations in 2016 reaching a broader client base. Furthermore, education will form a growing part of our activities.

Our mission and strategic goals have been revised during the year to reflect these objects. We now summarise our mission with the acronym PET: prevent, educate and treat.

Eligibility and impact

We provide vital veterinary services for those communities in most need of support - without our work and the provision of our free veterinary care, many pet owners would have been in the distressing position of seeing their sick and injured pets suffer unnecessarily. We treat all popular domestic pets, for example, dogs, cats and those described as 'small furrries'.

Pet owners who receive Housing Benefit, Council Tax Support/Reduction or Universal Credit are eligible for our free veterinary treatment if they live within a defined catchment area around each PDSA Pet Hospital, PDSA Pet Clinic or PDSA Pet Practice. Eligible pet owners living outside these catchment areas may apply for PDSA support through our PDSA Pet Treatment Fund. We will monitor proposals by the Government for changes to the benefits structure that might affect the owner's eligibility for our services. In addition we provide preventive healthcare services to eligible clients for an affordable fee.

We spent £72.9 million on our mission in 2015. 451,000 of the nation's much-loved pets benefitted from PDSA's work across the UK. Our pet health work is expanding with a number of key projects to help educate and inform owners in providing for their pet's health and welfare needs.

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.

Public benefit in Scotland

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

Gross income raised in 2015 from PDSA shops, fundraising groups and PDSA Pet Hospitals in Scotland amounted to £4.4 million (2014: £4.5 million).

4. Achieving our strategic goals

Uptake of health & welfare

451,000 pets received a combination of Preventive, Educational interventions and Treatment procedures through PDSA Pet Hospitals, Clinics, Practices and the PDSA Pet Treatment Fund in 2015. This is 5.6% lower than 2014, with lower demand being seen in both Pet Hospitals and Pet Practices. We anticipate that demand for our services in 2016 will be at a similar level.

During 2015, PDSA answered over 80,000 enquiries through our dedicated support line and our website. Almost 80% of the enquiries were from UK pet owners and these included enquiries related to providing help in understanding eligibility for PDSA services.

The Margate Pet Clinic, The Frank and Ethel Fright Centre, was fully embedded as a new Veterinary Service model during 2015, after opening in late 2014. By the end of 2015 the Margate Pet Clinic had provided 28,700 free treatments, 5,800 concessionary treatments and 10,900 preventive treatments or procedures.

Preventive services are now a significant part of our activities and the income continues to grow. Our total activities increased by 8%. We carried out 163,000 preventive procedures and 474,000 preventive products were sold. We continue to promote preventive services as part of our responsible pet ownership message and in 2016 aim to increase preventive sales to £7.9 million, helping eligible owners to keep their pets healthy.

PetWise for Cats, our national feline education programme sponsored by The Marchig Animal Welfare Trust, completed its first full year and continues to offer free microchipping and neutering with every PetWise MOT welfare check for all our feline patients. We received a second instalment of funding from the Trust which enabled us to continue our three year programme and we have now neutered 29,800, microchipped 37,100 and carried out over 42,800 PetWise MOT welfare check for cats. Through this partnership we have seen a reduction of 45% in cats not having any of their welfare needs met and an increase of 14% in the volume having all their welfare needs fully met, as well as 28% of cats having a PetWise MOT receiving treatment for conditions which may have otherwise gone unnoticed.

Through the PetCheck programme, the Community & Education Veterinary Nurse team provided 4,525 free Pet Wellbeing MOTs, provided 902 additional pieces of pet care advice and microchipped 1,322 dogs. In 2015 7,990 people visited the PetCheck vehicles generously funded by Robert Breckman in memory of his wife Julie Breckman.

Accessibility of veterinary services

In May 2015, the Order for the expansion of our Charitable Objects was passed by Parliament. We started the process with the Charity Commission in 2011 with the aim of doing much more to improve pet wellbeing.

The expansion of our Objects will allow PDSA to provide veterinary treatment both at a reduced cost and at no charge for those who cannot afford some or all of the charges. The changes will also allow PDSA to undertake preventive work directly (rather than via its trading subsidiary) and for PDSA to educate all pet owners and carry out any other animal welfare activities that are charitable.

PDSA currently has 51 PDSA Pet Hospitals and Pet Clinics, which along with 185 locations served by 379 contracted PDSA Pet Practices means the direct coverage of PDSA eligible households is over 78%. Households with neither a PDSA Pet Practice nor PDSA Pet Hospital or PDSA Pet Clinic can access PDSA's Pet Treatment Fund and through this provision we cover 100% of eligible households throughout the UK.

The Margate Pet Clinic, The Frank and Ethel Fright Centre has allowed PDSA to deliver services to a wider client base, which can access reduced cost "concessionary" services. This has been a success and has resulted in a plan to trial concessionary services in a number of Pet Hospitals during 2016, where we have sufficient capacity.

PetCheck continues to have real tangible benefits of reaching people in the community and raising awareness of PDSA. The team used our two vehicles, generously funded by Robert Breckman in memory of his wife Julie Breckman, to work with Local Authorities and Housing Associations at PetCheck tours, which exceeded the 2014 results by completing 253 days on tour.

Expand education range and reach

We launched our fifth *PDSA Animal Wellbeing (PAW) Report* at an event in London, where we hosted a discussion forum with an expert panel discussing the trends from the last five years with an invited audience of key stakeholders from the animal welfare sector and veterinary profession. With over 33,000 pet owners responding to the Big Pet Survey and the YouGov panel, it was our largest Report and includes findings around exotic pets, such as reptiles and birds, and has enabled us to develop our insight into the key pet welfare issues in the UK.

The root cause of many of these issues is the lack of pet pre-purchase research, the release of the Report culminated in the launch of an awareness campaign called #PawsFirst. This directed potential pet owners to an online quiz to help them better understand the different needs and costs of caring for different species and breeds. The launch of the Report and #PawsFirst campaign had an incredibly positive reception from across the sector, generating huge interest from other organisations keen to collaborate with PDSA on many different issues. The dedicated online activity has been a particular highlight, with over 60,000 unique page views on the website and 32 million impressions on social media.

PDSA is actively involved with the key external groups whose work has the greatest impact on companion animal welfare. PDSA holds the Vice Chair of the Canine & Feline Sector Group (CFSG), which drives sector strategy, and sets up working groups to deliver impact against issues. PDSA is also involved in collaborations such as the newly established Breeding & Sale of Dogs Group, and its working group on puppy farming. In addition, work is ongoing with the Breeding & Sale of Cats Group, the Dog Breeding Reform Group (DBRG), focusing on issues of pedigree dog health, the Pet Advertising Advisory Group (PAAG) and the All-Party Parliamentary Group for Animal Welfare (APGAW). We have also continued to have a leading role in groups that reflect the human-animal bond, such as the Links Group and the Animal Welfare Education Alliance (AWEA).

The Community & Education team have continued to develop the Community & Education strategy across key regions of the UK. Our education programme has reached over 90,000 children through a variety of initiatives. Nearly 37,000 children have taken part in a 'Five Welfare Needs' or 'Canine Communication' interactive workshop run by our Community & Education Veterinary Nurses and a further 55,000 engaged with PDSA through our website, Pet Clubs in Schools and our Pet Protectors Club.

Our relationship with People's Postcode Lottery continued to grow after a third successful application for funding. An award of £550,000 in July 2015 enabled us to launch our 'Prevent the Preventable' campaign and recruit a Pet Wellbeing Champion in each of our 51 Pet Hospitals. These newly funded positions drive awareness amongst pet owners on the importance of preventive services and we launched our new Pet Health Checker tool.

The second full year of sales of PDSA's first preventive bundled product offering called the 'Perfect Start' resulted in 16,800 bundle sales which significantly contributed to the performance in preventive procedure and product sales. Throughout 2015, Perfect Plan, a monthly direct debit scheme for preventive service products has been developed ready for trial in 2016.

Collaboration with Dogs Trust and Cats Protection resulted in funding to undertake more than 7,300 bitch spays and dog castrations and more than 24,400 cats were neutered (a significant increase over previous years as a result of the PetWise for Cats programme, funded by the Marchig Animal Welfare Trust). PDSA took part in the Dogs Trust funded free microchip promotion in Scotland, and as a result of this initiative provided three times more microchips than in previous years in this region.

Maximise income streams

Legacy income

Legacy income continues to be the largest single source of income for the charity, but was lower than the

prior year. We achieved an income of £39.5 million, a reduction of 7.7% year-on-year. Our pipeline of notified legacies remains healthy and we have invested in a legacy marketing programme to stimulate this income stream in the long-term.

Client contributions

We ask our clients to make a voluntary contribution for their pets' treatment. These contributions are an invaluable source of income, which increased by 7.8% to £9.6 million in 2015. The average amount contributed per pet increased by 12%, reflecting both the added value achieved through programmes such as PetWise for Cats and Wellbeing checks and the positive impact made by the Contribution Action Team in refining our approach to asking for contributions.

Commercial veterinary income

In addition to supplying medication to our clients, our Central Dispensary continued to supply medication to Dogs Trust clients who care for foster dogs with chronic conditions. Although not material in the context of total activities this has provided a valuable income stream. Similar provision for the carers of Guide Dogs was initiated in 2014 and continues to contribute to the Total Central Dispensary income.

Additionally, the online trading platform 'MyVetStore' was a valuable source of income in 2015.

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

Retail

Trading conditions continued to be challenging with an increased level of discounting on the high street and a larger proportion of low value, non-branded fashion items being sold.

During 2015, one new shop opened but 20 were closed, meaning an overall reduction in estate size of 19 shops. The focus in 2015 was on the turnaround performance of our existing shops, rather than the expansion of new shops.

Fundraising income

It has been a challenging year for income generation from marketing channels. We have been testing new approaches to create sustainable income, including testing new activities to appeal to new and different audiences. We are developing new partnerships with a number of corporate supporters, together with regular giving recruitment via face-to-face fundraising and utilising the introduction of door-drop campaigns. We launched our new website in July 2015 with our product sales platform scheduled to be ready in 2016.

Trading

Our income from gaming, primarily our raffles, has declined and we have improved profitability by reducing costs and increasing response rates by refreshed designs. In 2016 we are seeking to maintain income levels by introducing new propositions.

Following the launch of a number of new products in our pet insurance range in 2014, income in 2015 increased by 10.2%.

Promote the role of pets to society

PDSA runs the world's most distinguished and respected Animal Awards Programme. Through these awards we recognise acts of extraordinary animal bravery or exceptional devotion to duty by awarding three globally-recognised medals; the PDSA Dickin Medal, PDSA Gold Medal and PDSA Order of Merit; we also award the PDSA Commendation.

There was one major medal presentation in 2015 and this was the PDSA Order of Merit to Police Dog Jake, a Springer Spaniel. Jake was operational over 10 years and trained to search for drugs, firearms, ammunition and cash and had more than 500 successful finds to his name. The posthumous presentation ceremony at Goldsmiths' Hall in London was attended by PDSA Patron, HRH Princess Alexandra. Our Awards panel also approved 26 PDSA Commendations.

We plan to continue to promote the role that pets play in society and highlight the strength of the human-animal bond through our Animal Awards Programme. We will seek to broaden the reach of our Animal Awards Programme by using a wider range of channels to celebrate worthy recipients of our awards.

Awareness and support for PDSA's work

Following the launch of the brand at the start of 2015, we had three broadcast campaigns across key terrestrial and digital TV channels, cinema advertising, online advertising, social media campaigns and a takeover of Metro ('Petro') to drive awareness. This full year of activity resulted in an increase in semi-prompted awareness from 16% in October 2014 (pre activity) to 22% in January 2016. The wider impact was also felt across other fundraising activities and campaigns as marketing campaigns were integrated for maximum impact.

In 2015 we delivered a diverse range of Public Relations projects and campaigns including Pet Fit Club, the *PDSA Animal Wellbeing (PAW) Report*, Pet Survivor and a number of social media campaigns such as #Paws First and #Vet Your Clothes. As an emerging channel, social media increases our online supporter base particularly when led by celebrities and can be used to promote certain activities such as medal events as part of our Animal Awards Programme, as well as driving visitors to our website.

Deliver exceptional service

As part of our commitment to transparency and respect in all our communications with donors, responding to how they want PDSA to communicate with them, all of our fundraising telephone calls are now carried out by PDSA employees, from our Contact Centre in Sunderland. We don't work with third party agencies to carry out calls on our behalf. We believe that this provides a better service to the donors, as they are able to talk to us directly about how their support is helping to fund our work to provide a lifetime of wellbeing for every pet.

The Central Dispensary carried out approximately 42,000 product dispenses that previously would have been undertaken in PDSA Pet Hospitals, allowing better use of resources and our veterinary teams and providing an improved customer service level.

Inspire and enable our people

In attaining our expanded Charitable Objects we activated our new vision, mission and strategic goals, engaging our employees and volunteers. There was continued focus on developing our leaders in line with our leadership principles which were aligned with our values following their launch in 2014. Results from our employee survey which had a completion rate of 89% gave an engagement score of 84% and confirmed the positive impact that our work in these areas is having.

In 2016 we will focus on driving results through effective objective setting and performance development reviews.

Optimise infrastructure, systems and processes

Hospitals and Clinics

We have a programme to replace existing PDSA Pet Hospitals, which is necessary to ensure that they remain fit for purpose. The construction of a replacement for the Birmingham (Quinton) Pet Hospital was completed and the new Birmingham (Oldbury) PDSA Pet Hospital, The Marian and Christina Ionescu Centre of Surgical Excellence was opened in the summer of 2015. The new purpose-built facility has state-of-the-art operating theatres, a critical care ward and the latest diagnostic and surgical equipment. The Centre is also going to act as a 'teaching hospital' to further advance and develop the veterinary skills of our veterinary teams from across the UK.

We have secured land in the northwest of England to replace and relocate our service provision in the Manchester area. Construction should begin, subject to funding, in early 2017. We continue to search for land which would be suitable to replace our Nottingham Pet Hospital.

We will continue to investigate opportunities to open Pet Clinics to support PDSA Pet Hospital operations in locations where this could help expand service availability in a cost-effective way.

Veterinary Services

We spent £72.9 million across all of our veterinary services on delivering much-needed pet care treatment, education and information to disadvantaged communities across the UK. These services are delivered in a range of different ways to ensure effective use of our financial resources.

We have effective tendering processes, notably for pharmaceuticals, out-of-hours services and laboratory services, which mitigate the effects of cost inflation in these areas. Our focus on the range of consumable veterinary products available in PDSA Pet Hospitals resulted in reduced treatment costs allowing our resources to be used to help more pets.

Financial management

In 2015 we have taken a number of steps to improve costs and controls. The administration of property maintenance was outsourced to a new partner company and we retendered cash collection services, with both initiatives reducing costs. In the area of tax we have been in dialogue with HMRC to improve our VAT recovery with a view to implementing these changes in 2016.

Our use of SAP Business Planning and Consolidation software continued to grow. The system is now a core part of not only our financial planning process but also our period end reporting and management information activities.

In 2016 we will continue to focus upon systematic cost reduction to improve the financial position of the charity.

Information systems

During 2015 we focused our attention on upgrading our desktop hardware throughout our shops and upgrading desktop operating system software across PDSA to a supportable level and we are well on our way to completing that work early in 2016.

We continued to develop and test a new computerised system 'VetSpace', which will replace our ageing computerised clinical records system, PremVet. We have launched the system at 11 pilot sites and anticipate that the roll-out of the system will be completed in early 2016.

We have also commenced and continue to progress technology and procedural change in order to support the Payment Card Industry Data Security Standard and general data protection standards across PDSA.

5. About PDSA

Structure and governance

Governing documents and registration

The charity is incorporated under The People's Dispensary for Sick Animals Acts 1949 and 1956 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 9 and they are listed below along with their committee membership.

Chairman Mr John Smith, FCA	F R	Chair from January 2015
Deputy Chairman Mr John Murphy	F	Deputy Chairman from January 2015, resigned 3 November 2015
Mr Richard Clowes, BSc MI Mech E	F R	Deputy Chairman from 10 December 2015
Ms Catherine Dixon, LLB (Hons), MBA, Solicitor	A	
Professor Gary England, BVetMed PhD DVetMed CertVA DVR DVRep DipECAR DipACT FHEA FRCVS	A	Elected 18 June 2015
Mr Gary Ennis, BSc	F	Resigned 14 January 2015
Mr Noel Guilford, BA, FCA	F A	
Mr Roger Hills	F	Retired 16 June 2016
Ms Laurie Mayers, BA, MA	F R	
Mr John Miller, BSc, MCIPD, AFBPsS	R	
Mrs Carole Pomfret MA ACA	A	
Mrs Alison Tattersall BA Hons, Postgrad Diploma in Marketing	A	Elected 16 June 2016
Mr Andy Tinlin BEng Hons, Postgrad Diploma in Management	F	Elected 16 June 2016
Mrs Mary Reilly BA FCA	F	Elected 16 June 2016

- 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 Special Purposes Committee approves legal agreements [for members see executive staff on page 15]. 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.

Council recognises the vital importance of proper conduct of all fundraising activities and going forward, the Audit & Risk Committee will receive regular updates on compliance in respect of our fundraising governance framework.

Remuneration Statement

PDSA is a large organisation with over 2,000 employees and the support of over 4,000 volunteers. We are one of the UK's largest employers of veterinary professionals. 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.

PDSA'S Remuneration Committee was established in 2014 as a subcommittee of Council. Its 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.

As a complex and diverse organisation that competes in different job markets for a wide range of skills and experience, our pay policy must 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 supporter's expectations that the money they entrust to us will be used wisely. The Remuneration Committee has established the following guiding principles that underpin our approach to reward and recognition:

- We aim to have understandable, equitable and transparent reward policies that reflect the strategy and ethos of PDSA
- We apply a common framework for managing reward decisions, whilst providing flexibility to meet differing organisational needs within PDSA
- We aim 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 the employee group
- We apply a robust system for comparing jobs internally, which can be used to clarify career paths and support career development discussions
- We value the contribution that an individual makes in their job and recognise the link between performance and reward
- We 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 movement.

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 is both affordable and reasonable when compared to other similar organisations.

A Constitution Working Party was established in June 2015, primarily to consider the Byelaws of PDSA, given the amendment to the Acts 1949 and 1956, but also to bring them up to date with current charity legislation. The secondary purpose of the Working Party was to review our governance and inter-relationship between all subcommittees of Council and to ensure that appropriate levels of authority exist whilst balancing the fiduciary responsibility of Council and the need to be flexible in the fast-moving world of the charitable sector in which we operate.

Trustee recruitment and training

Council appoints Trustees and all Trustee recruitment is subject to a rigorous and transparent process. Qualifications for trusteeship include a commitment to animal welfare plus specialist expertise or knowledge considered to be of benefit to PDSA. It is Council's policy for the governing body to consist of ten to twelve Trustees. However, Council may plan to increase this number to take account of planned retirements while maintaining an appropriate range of skills and expertise. Trustees normally serve three terms of four years which may be extended at the request of Council.

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

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. In 2016 a number of veterinary activities previously undertaken by PDSA PetAid Enterprises Limited will become activities of the charity, as a result of the changes to our Charitable Objects.

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

The Trustees are responsible 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
Director of Veterinary Services	Richard Hooker, BVMS, MRCVS
Director of Finance	Graham Pick, ACA (until 26 June 2015) Michael Pell, FCA (from 5 May 2015)
Director of Marketing	Maria Heckel, BA (Hons) Dip M (until 30 September 2015)
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 43% of our total income and there is a risk that reductions in this income source could materially affect our financial position.
- **Investment portfolio** – this represents the majority of free reserves and can be subject to volatility from time to time.
- **Unique Animals** – demand for our services can fluctuate over short periods of time that can result in significant cost increases.
- **Service infrastructure** – PDSA is a large and complex service operation over a wide geographical area. Risk factors include cost increases due to service growth and inflation, the PDSA Pet Hospital replacement programme and the national distribution of services. Service provision would need a long turnaround period in order to downsize operations should financial constraints require and this needs to be reflected in the level of free reserves.
- **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, the requirement to fund pension promises could impact our financial position.

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.

People

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

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

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

In 2015 we continued to develop our leaders in line with our leadership principles which have been aligned to these values. The processes to link individual objectives to corporate objectives, to monitor performance and plan individual development were reviewed and revised in the year to meet best practice.

We completed a review of our Staff Consultation & Communication (SCC) Groups in the year and replaced it with 'Our Forum'. 'Our Forum' provides an opportunity for the Director General, Directors, senior leaders and, through elected representatives, 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.

Over 4,000 volunteers support PDSA throughout the UK by helping in the Pet Hospitals, shops, fundraising groups and offices. Our biannual 'Volunteer Investment and Value Audit' shows that PDSA's volunteers donated 1.3 million hours in 2014, saving the organisation £12.7 million in employment costs. Furthermore, for every £1 that PDSA invests in volunteering, we receive £21 back in value – or a 2,100% return on investment. PDSA continues to hold the prestigious Investing in Volunteers (iV) quality standard, demonstrating the organisation's commitment to excellence in all aspects of volunteer management.

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 Standard Life Investments, 1 George Street, Edinburgh EH 2 2LL
External Auditor	BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA
Actuaries	KPMG LLP, One Snowhill, Snow Hill, Queensway, Birmingham B46GH
Solicitors	Gowling WLG (previously known as Wragge Lawrence Graham LLP (WLG), 55 Colmore Row, Birmingham B3 2AS

6. Financial review

Overview

The UK economy continued to improve in 2015, however the challenges for fundraising grew in the sector and retail commercial conditions remained difficult.

After last year's record income, this year our income saw a decline by 6.2% to £91.7 million (2014: £97.8 million). We maintained our commitment to public benefit and spent a record £72.9 million on our mission. We continued our strategy to grow awareness of PDSA, which began in 2014, mainly by way of further TV advertising campaigns to promote higher levels of awareness and ultimately generate new income.

Overall there was a net expenditure of £15.7 million (2014: £3.2 million), which included a small gain from our listed investment portfolio of £0.2 million (2014: £1.6 million).

Note that the financial statements adopt FRS 102 for the first time and the effect is summarised in note 19.

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.

	2015		2014	
	£ million	cost/£	£ million	cost/£
Donations and legacies net income	48.6	0.24	55.2	0.18
Other trading net income	(0.5)	1.02	(0.6)	1.03
Asset-related net income	1.9	0.03	2.1	0.03
Preventive services gross income	6.9	0.82	6.9	0.76
Net income available for charitable activities	56.9	0.44	63.6	0.40

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 has a higher total cost per pound of raising its income than many charities because of the wide mix of sources. PDSA Trading Limited provides the vast majority of trading income, excluding donated goods which are sold by the charity; this subsidiary's full results can be seen on page 35.

The income we receive from donations and legacies is critical and so we spend appropriate monies marketing and managing in this area. The table above shows that the cost of raising donations and legacy income overall from our supporters increased from 18p per pound (£) in 2014 to 24p in 2015. This reflects both lower income levels and the increased costs of marketing investment, which is aimed to grow awareness of our work and income levels over the long-term.

Legacy income in 2015 of £39.5 million was 8% lower than the record year in 2014 though it delivered around 69% of net income (2014: 64%). However, it remains our longer-term aim to reduce our reliance on legacies by growing other income streams. We aim to do this by growing our supporter base, through promotion and using innovative approaches to generate donations, as well as maintaining and growing trading income in Retail, Direct Marketing and from veterinary commercial activities.

We have continued to grow preventive services and though in income terms this was unchanged at £6.9 million, costs reflect increased activity as a result of the PetWise programme, funded by donation income, not sales. The contributions from clients who use our Pet Services are an invaluable source of income; these increased by 7.8% year-on-year to £9.6 million. This income stream forms the largest element of PDSA PetAid Enterprises Limited's income – this subsidiary's full results can be seen on page 35.

Our Retail division's results continue to be affected by difficult trading conditions. Donated and new goods sales decreased by 12% and 13% respectively, compared to 2014, in part due the planned reduction in our retail estate. We have continued to increase the income from Gift Aid, and other operating costs have been reduced.

We increased the expenditure on charitable activities by 4.9% to £72.9 million compared to 2014. This was due to the significant growth of preventive product sales, promoting pet health initiatives, and promoting the funded activities of PetWise for Dogs and PetWise for Cats.

There was an actuarial gain of £1.9 million (2014: £12.6 million loss) for the defined benefit pension scheme, resulting from the accounting provisions for pension schemes. The gain was due to changes in actuarial assumptions reflecting prevailing levels of discount rates, inflation, salary rates and mortality rates.

Investments, reserves and pensions

At the end of 2015 our investments totalled £63.3 million (2014: £74.3 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, with the consent of the Charity Commission. We have an ethical investment policy that precludes investing directly in those organisations involved in testing on animals for cosmetic and other non-medical purposes. Our investment objective is to preserve capital and is subject to the charity's ethical investment policy. Performance is measured on a total return basis and the managers' performance is regularly reviewed by the Finance & Investment Committee.

Our two investment managers are Newton Investment Management and Standard Life Investments and they use their pooled funds, the Newton Real Return Fund and Standard Life Global Absolute Return Strategies Fund, rather than direct investments. These funds provide greater stability than direct market investments and are sufficiently liquid to meet any short-term operational cash needs as well as supporting the Business Plan to maintain and expand the delivery of our charitable services.

Investment markets were turbulent during 2015, reflecting the many uncertain conditions: the UK general election, the Greek economic crisis and continued concerns about the Chinese economy, world interest rates, a potential exit by the UK from the European Union and depressed oil prices. Overall there was a small total return on investment funds of 2% (2014: 4.3%); of these the Standard Life fund provided a return of 3.5% gross of fees and the Newton fund returned 1.8% gross of fees. During the year, £12.5 million was withdrawn from the investment portfolio to support operating cash requirements, in line with our planning.

Investment properties are re-valued each year. The value at 31 December 2015 was £2.3 million (2014: £2.2 million).

Reserves and going concern

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

The total funds of the group at the end of 2015 were £73.4 million (2014: £87.2 million). Of these funds, £2.8 million were restricted income funds or endowments (2014: £2.9 million).

We recognise the Charity Commission guidance on reserves policy as set out in Charity Commission Guidelines CC19. Our reserves policy is supported by contingency planning to determine the potential impact on the level of minimum reserves by defined risk factors. Our contingency planning determines the minimum 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.

On this basis, the minimum level of reserves is set at £48 million. At 31 December 2015 the charity had calculated minimum reserves of £57 million (2014: £68 million) in addition to the reserves there is a contingent asset of the legacy 'pipeline' which is valued at £11.3 million. In addition, our investment funds have sufficient liquidity to provide the flexibility to manage any potential downturn in income. The charity also has a £5 million unsecured overdraft facility with Lloyds Bank plc.

Council regularly reviews financial forecasts and projections, taking account of the potential impact on future service delivery. To assist this review, cash forecasting is an important element of group financial management. Each year, the Trustees formally review financial plans for the current and following four years.

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

Pension Plans

PDSA operates a defined benefit pension scheme The People's Dispensary for Sick Animals Retirement Benefits Plan (1978) (RBP) and a Group Personal Pension (GPP) Plan.

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 £26.2 million at 31 December 2015 (2014: £27.5 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, but is committed to ensuring it will offer attractive pension benefits for employees.

The Group Personal Pension (GPP) Plan was opened in January 2008 for new employees. Existing members of the defined benefit pension scheme can transfer to this plan at their request.

Approved by Council and signed on its behalf by:



John Smith
Chairman
14 September 2016

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

We have audited the financial statements of The People's Dispensary for Sick Animals for the year ended 31 December 2015, which comprise the Group Statement of Financial Activities, the Group and Parent Charity Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Trustees, as a body, in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under section 144 of the Charities Act 2011 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2015 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and The People's Dispensary for Sick Animals Acts 1949 and 1956.

Matters on which we are required to report by exception

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

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- proper and sufficient accounting records have not been kept; or
- the parent charity financial statements are not in agreement with the accounting records or returns; or
- we have not received all the information and explanations we require for our audit.

 "P

BDO LLP
Statutory Auditor
Gatwick
United Kingdom
Date: 14 September 2016

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

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

Consolidated Statement of Financial Activities (incorporating an income and expenditure account)

For the years ended 31 December	Note	Unrestricted funds		Restricted funds and endowments	£'000	Unrestricted funds		Restricted funds and endowments	£'000
		2015	2014	2015	2014	2015	2014		
Income and endowments from:									
Donations and legacies	1,2	58,102	5,867	63,969	60,244	6,835	67,079		
Other trading activities	2	18,883	-	18,883	21,610	-	21,610		
Charitable activities - preventive services		6,887	-	6,887	6,866	-	6,866		
Investments	2	1,796	-	1,796	2,007	-	2,007		
Net gain on disposal of fixed assets		137	-	137	206	-	206		
Total income		85,805	5,867	91,672	90,933	6,835	97,768		
Expenditure on:									
Raising funds									
Donations and legacies	3	15,396	-	15,396	11,857	-	11,857		
Other trading activities	3	19,352	-	19,352	22,236	-	22,236		
Investments	3	65	-	65	68	-	68		
Total expenditure on raising funds		34,813	-	34,813	34,161	-	34,161		
Net income available for charitable activities		50,992	5,867	56,859	56,772	6,835	63,607		
Charitable activities:									
Treatment at Pet Hospitals and by contracted services	3	60,449	3,427	63,876	56,945	5,074	62,019		
Education : responsible pet ownership	3	2,471	914	3,385	1,958	282	2,240		
Preventive services	3	5,615	-	5,615	5,190	-	5,190		
Total expenditure on charitable activities		68,535	4,341	72,876	64,093	5,356	69,449		
Total expenditure		103,348	4,341	107,689	98,254	5,356	103,610		
Net gains on investments	7	291	-	291	2,690	-	2,690		
Net expenditure		(17,252)	1,526	(15,726)	(4,631)	1,479	(3,152)		
Transfers between funds	14	1,644	(1,644)	-	5,034	(5,034)	-		
Actuarial gain/(loss) on defined benefit pension scheme	20	1,900	-	1,900	(12,600)	-	(12,600)		
Net movement in funds		(13,708)	(118)	(13,826)	(12,197)	(3,555)	(15,752)		
Reconciliation of funds									
Total funds brought forward		84,277	2,911	87,188	96,474	6,466	102,940		
Total funds carried forward	14	70,569	2,793	73,362	84,277	2,911	87,188		

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 2015

		Group		Charity	
	Note	Total 2015	Total 2014	Total 2015	Total 2014
Fixed assets					
Tangible assets	6	27,855	29,939	29,006	30,937
Investments	7	63,335	74,341	63,335	74,341
Total fixed assets		91,190	104,280	92,341	105,278
Current assets					
Stocks – finished goods and goods for resale		1,610	1,837	1,157	1,212
Debtors	8	19,035	19,849	19,988	21,664
Investments	9	19	19	19	19
Cash at bank and in hand		29	67	25	62
Total current assets		20,693	21,772	21,189	22,957
Creditors – amounts falling due within one year	10	(11,705)	(10,678)	(11,830)	(11,494)
Net current assets		8,988	11,094	9,359	11,463
Total assets less current liabilities		100,178	115,374	101,700	116,741
Creditors – amounts falling due after more than one year	11	(20)	(25)	(20)	(25)
Provisions for liabilities	12	(577)	(643)	(577)	(643)
Net assets excluding pension liability		99,581	114,706	101,103	116,073
Defined benefit pension scheme liability	20	(26,219)	(27,518)	(26,219)	(27,518)
Total net assets		73,362	87,188	74,884	88,555
The funds of the charity:					
Endowment funds	14	863	100	863	100
Restricted income funds	14	1,930	2,811	1,930	2,811
Unrestricted income funds					
Unrestricted income funds	14	57,296	72,912	58,818	74,279
Designated funds	14	39,492	38,883	39,492	38,883
Unrestricted funds		96,788	111,795	98,310	113,162
Pension reserve	14	(26,219)	(27,518)	(26,219)	(27,518)
Total unrestricted funds		70,569	84,277	72,091	85,644
Total charity funds		73,362	87,188	74,884	88,555

Approved by Council and signed on its behalf on 14 September 2016.



John Smith
Chairman

Consolidated Statement of Cash Flows

£'000

For the year ended 31 December 2015		2015	2014
	Note		
Cash flows from operating activities	a	(13,705)	(1,861)
Cash flows from investing activities			
Dividends, interest and rents from investments		1,796	2,007
Purchase of property plant and equipment		(1,589)	(3,508)
Proceeds from the sale of property, plant and equipment		1,429	289
Purchase of investments		(1,288)	(1,505)
Pension deficit contributions		(1,285)	(1,349)
Proceeds from the sale of investments		12,585	3,002
Net cash provided by investing activities		11,648	(1,064)
Cash flows from financing activities			
Receipt of endowment		763	100
Change in cash and cash equivalents in the reporting period		(1,294)	(2,825)
Cash and cash equivalents at the beginning of the reporting period	b	(949)	1,876
Cash and cash equivalents at the end of the reporting period	b	(2,243)	(949)

Note a. Reconciliation of net expenditure to net cash from operating activities

	2015	2014
Net expenditure for the reporting period	(15,726)	(2,855)
Adjustments for:		
Investment income	(1,796)	(2,007)
Net gain on disposal of tangible fixed assets	(137)	(206)
Endowments received	(763)	(100)
Depreciation	2,381	2,617
Movements on investments	(291)	(2,690)
Decrease in pension provision excluding actuarial loss	1,886	1,249
Decrease in stocks	227	326
Decrease in debtors	814	1,139
(Decrease)/increase in creditors	(234)	679
(Decrease) in provisions	(66)	(13)
Net cash used in operating activities	(13,705)	(1,861)

Note b. Analysis of cash and cash equivalents and changes in net funds

	2014	Cash flow	2015
Current asset investments	19	-	19
Cash at bank and in hand	67	(38)	29
Overdraft	(1,035)	(1,256)	(2,291)
Total	(949)	(1,294)	(2,243)

Notes to the financial statements for the year ended 31 December 2015

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 2015.

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 20 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 2015.

Fund accounting

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

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

Restricted funds are funds that are used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in Note 14 to the financial statements. Income received less than £15,000, unless part of a larger project, is reported in aggregate.

Investment income and gains are allocated to the appropriate fund.

Incoming resources

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

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Reversionary interests involving a life tenant are not recognised. Residuary legacies are recognised when the charity is advised by the personal representative of an estate that payment will be made or assets transferred 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.

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 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 and are revised in subsequent years by reference to published indices.

Investments

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. 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. 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.

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.

£'000

2. Income and endowments		2015	2014
Donations and legacies			
Legacies receivable		39,514	42,829
Donations and gifts		24,455	24,250
		63,969	67,079
Other trading activities			
Lottery and similar income		2,444	3,127
Sale of donated goods*		13,628	15,416
Sale of retail new goods		1,470	1,699
Other sales income		1,341	1,368
		18,883	21,610
Investments			
Listed securities – dividends		1,300	1,514
Interest on cash held as part of investment portfolio		-	1
Bank and other interest		3	6
Rents receivable		493	486
		1,796	2,007

* 2015 includes income of £3,996,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid programme (2014: £4,197,000).

3. Expenditure	Activities undertaken directly	Support costs allocated	2015 Total	2014 Total
Expenditure raising funds				
Legacies receivable	2,298	187	2,485	2,357
Donations and gifts	7,123	324	7,447	7,416
Raising public perception and awareness	5,251	213	5,464	2,084
	14,672	724	15,396	11,857
Expenditure on other trading activities				
Merchandising and charity shop operating costs	16,406	1,748	18,154	20,543
Lottery ticket sales	1,160	38	1,198	1,693
	17,566	1,786	19,352	22,236
Expenditure on investments				
	53	12	65	68
Expenditure on charitable activities:				
Treatment at Pet Hospitals and by contracted services	57,316	6,560	63,876	62,019
Education: responsible pet ownership	3,154	231	3,385	2,240
Preventive services	5,296	319	5,615	5,190
	65,766	7,110	72,876	69,449
	98,057	9,632	107,689	103,610

£'000

Support costs breakdown by activity	Human Resources	Property Services	Finance and Management	Information Technology	2015	2014
Expenditure raising funds						
Legacies receivable	64	-	71	52	187	151
Donations and gifts	42	-	218	64	324	299
Raising public perception and awareness	38	-	161	14	213	83
Expenditure on other trading activities						
Merchandising and charity shop operating costs	482	402	505	359	1,748	1,986
Lottery ticket sales	3	-	35	-	38	61
Expenditure on Investments	-	10	2	-	12	14
Expenditure on charitable activities:						
Treatment at Pet Hospitals and by contracted services	2,429	539	1,757	1,835	6,560	5,538
Education: responsible pet ownership	97	-	96	38	231	153
Preventive services	156	-	163	-	319	288
Total support costs	3,311	951	3,008	2,362	9,632	8,573

Governance costs in the year of £200,000 (2014: £184,000) 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				2015	2014
These are stated after charging:					
Auditor's remuneration	audit fees charity			41	40
	audit fees subsidiaries			7	7
	non-audit fees charity	- tax services		-	-
		- other consultancy services		12	30
	non-audit fees subsidiaries	- tax services		4	5

5. Employees		2015	2014
Employment costs			
Salaries		45,693	43,766
Social security costs		3,949	3,737
Defined benefit pension costs		4,879	4,625
Other employer pension costs		1,617	1,573
Redundancy payments		205	282
Other staff costs		263	253
		56,606	54,236

During 2015, 47 employees were made redundant, (62 in 2014). In 2015 this included restructuring in marketing, veterinary and retail, TUPE of some property services activities and closure of selected retail shops.

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

Veterinary	1,098	1,042
Retail	297	352
Marketing and fundraising	124	109
Other	180	191
Total	1,699	1,694

	2015	2014
Employment costs		
The number of higher-paid employees whose emoluments were within the following scales was as follows:		
£60,001–£70,000	31	27
£70,001–£80,000	8	3
£80,001–£90,000	3	2
£90,001–£100,000	1	2
£100,001–£110,001	1	1
£110,001–£120,000	1	2
£140,001–£150,001	-	-
£150,001–£160,001	1	1
£160,001–£170,000	1	-

Twenty-five (2014: twenty-six) of the higher-paid staff are members of the charity's defined benefit pension scheme. Eighteen are members of the Group Personal Pension (GPP) Plan (2014: ten). Thirteen of these staff members contribute to the GPP under Auto Enrolment guidelines (2014: four). Five of the staff members contribute to the GPP by paying contributions in excess of the Auto Enrolment minimum rates (2014: six).

The aggregate of emoluments for key management positions in 2015 was £665,000 - these are the executive staff listed on page 15.

The highest paid employee was the Director General. Twenty-nine of the higher paid employees were in the veterinary department (61%).

Members of Council do not receive any remuneration. They made donations to PDSA totalling £4,512 including Gift Aid.

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 £9,582 during the year for ten Council members (2014: £10,751 for thirteen).

									£'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			
Cost									
At 1 January 2015	727	4,137	351	6,304	32,799	5,235	14,425	2,803	66,781
Reclassification	(1,072)	3	48	(43)	1,066	6	-	-	8
Additions	711	36	3	37	211	12	651	-	1,589
Disposals	-	(20)	-	(501)	(947)	-	(305)	(2,466)	(4,239)
At 31 December 2015	366	4,084	402	5,797	33,129	5,253	14,771	337	64,139
Depreciation									
At 1 January 2015	-	1,268	37	5,207	14,891	2,317	11,337	1,785	36,842
Reclassification		1	46	(39)	(1)	1	-	-	8
Charge for the year		88	14	234	1,044	158	752	91	2,381
Disposals		(10)	0	(471)	(589)	-	(306)	(1,571)	(2,947)
At 31 December 2015	-	1,347	97	4,931	15,345	2,476	11,783	305	36,284
Net book value									
At 31 December 2015	366	2,737	305	866	17,784	2,777	2,988	32	27,855
At 31 December 2014	727	2,869	314	1,097	17,908	2,918	3,088	1,018	29,939

The difference between the Group and charity fixed assets is cost of assets in the course of construction held in PDSA PetAid Enterprises Limited of £366,000 and the exclusion of the intra-group profit of £1,518,000. The intra-group profit arose from the construction and sale of PDSA Pet Hospital buildings by subsidiaries of the charity.

7. Fixed asset investments

Group and charity

	Investment properties				
	Listed	Unlisted	Long		Total
	investments	investments	Freehold	leasehold	
At 1 January 2015	72,094	-	2,047	200	74,341
Additions/transfers in	1,288	-			1,288
Withdrawals/transfers out	(12,500)	-	(85)		(12,585)
Net gains/(losses) on revaluations and disposals	190	-	86	15	291
At 31 December 2015	61,072	-	2,048	215	63,335

At 31 December 2015 and 2014 the charity had the following holdings constituting more than 5% of the portfolio market value:

	2015	2014
Newton Real Return Fund	29,428	34,489
Standard Life Global Absolute Return Strategies Fund	31,644	37,605
The total of UK listed investments	61,072	72,094

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 2015 of £2,263,000.

Specific properties were valued as at 31 December 2012 by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of Independent Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors (RICS). All properties were valued on the basis of Market Value. Their opinion of the Market Value of each of the properties was primarily derived using comparable recent market transactions on arm's length terms. All valuations were carried out in accordance with the RICS Valuation Standards. Their valuation report is dated 21 January 2013 (the 'Valuation Report').

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

All of the investment property valuations have been updated at the end of 2015 by management's judgement.

8. Debtors

	Group		Charity	
	2015	2014	2015	2014
Accrued legacies	17,022	17,168	17,022	17,168
Amounts due from subsidiary undertakings	-	-	1,136	2,338
Income tax recoverable	545	472	545	472
Sundry debtors	184	1,001	3	500
Prepayments	1,284	1,208	1,282	1,186
Total	19,035	19,849	19,988	21,664

The charity has received notification of legacies amounting to approximately £11,292,000 (2014: £8,534,000).

This total has not been recognised as income at 31 December 2015, but represents a contingent asset that will be recognised in future years.

£'000

9. Current asset investments**Group and charity**

At 1 January 2015		Interest bearing deposit accounts	19
Increase			-
At 31 December 2015			19

10. Creditors: amounts falling due within one year

	Group		Charity	
	2015	2014	2015	2014
Bank overdraft	2,291	1,035	3,435	2,622
Taxation and social security	1,065	1,028	1,065	1,028
Sundry creditors	5,076	4,167	4,207	3,413
Deferred income	-	1	-	-
Accruals	3,273	4,447	3,123	4,431
	11,705	10,678	11,830	11,494

11. Creditors: amounts falling due after more than one year**Group and charity**

Sundry creditors	20	25
	20	25

12. Provisions for liabilities**Group and charity**

Obligations for dilapidations in respect of rented properties the leases of which expire by 2026:

At the beginning of the year	643	656
Decrease in the year resulting from a reduction in the number of properties	(66)	(13)
At the end of the year	577	643

13. Analysis of Group net assets between funds

Fund balances at 31 December 2015 are represented by:

	Restricted	Designated	General	Total
Tangible fixed assets	534	-	27,321	27,855
Investments	-	39,492	23,843	63,335
Current assets	2,259	-	18,434	20,693
Creditors – amounts falling due within one year	-	-	(11,705)	(11,705)
Creditors – amounts falling due after more than one year	-	-	(20)	(20)
Provisions for liabilities	-	-	(577)	(577)
Net assets excluding pension liability	2,793	39,492	57,296	99,581
Defined benefit pension scheme liability	-	-	(26,219)	(26,219)
Net assets including pension liability	2,793	39,492	31,077	73,362

£'000

14. Statement of funds	At 1 January 2015	Income	Expenditure	Actuarial/ investment gains	Transfers	At 31 December 2015
General fund	72,912	85,805	(103,348)	2,191	(264)	57,296
Designated fund						
PDSA Pet Hospital replacement	38,883	-	-	-	609	39,492
	38,883	-	-	-	609	39,492
Unrestricted funds excluding pension reserve	111,795	85,805	(103,348)	2,191	345	96,788
Pension reserve	(27,518)	-	-	-	1,299	(26,219)
Total unrestricted funds	84,277	85,805	(103,348)	2,191	1,644	70,569
Restricted funds						
Permanent endowment						
A.W. Blackwell bequest	100	763	11	-	(11)	863
Total permanent endowment funds	100	763	11	-	(11)	863
Income funds						
Restricted legacies	501	3,119	(3,159)	-	(33)	428
Digital x-ray – appeal	85	14	-	-	(18)	81
Birmingham (Quinton) PDSA Pet Hospital – capital appeal	727	542	-	-	(1,269)	-
National PDSA Pet Hospital capital appeal	336	10	-	-	(346)	-
Replacement clinical system	103	48	-	-	-	151
PetWise pet wellbeing programme	1,055	802	(914)	-	-	943
Manchester PDSA Pet Hospital – capital appeal	4	212	-	-	33	249
Manchester PDSA Pet Hospital – capital appeal equipment	-	53	-	-	-	53
Southampton PDSA Pet Hospital refurbishment	-	25	(25)	-	-	-
Impact reporting	-	25	-	-	-	25
Bournemouth PDSA Pet Hospital	-	20	(20)	-	-	-
Brighton PDSA Pet Hospital	-	25	(25)	-	-	-
Miscellaneous restricted donations less than £15,000	-	209	(209)	-	-	-
Total restricted income funds	2,811	5,104	(4,352)	-	(1,633)	1,930
Total restricted funds	2,911	5,867	(4,341)	-	(1,644)	2,793
Total funds excluding pension reserve	114,706	91,672	(107,689)	2,191	(1,299)	99,581
Total funds	87,188	91,672	(107,689)	2,191	-	73,362

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

A designated fund has been established for the following purpose:

- PDSA Pet Hospital replacement fund, to replace Pet Hospitals at the end of their economic lives; this is a long-term fund with an indefinite life.

A transfer from the general fund of £609,000 has been made to increase the fund to the current projected level.

The movement on the pension reserve represents the difference between the payments in the year by the employer towards the liabilities and the 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 £11,000 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:
 - at Bristol £48,000, Helmsley/Kirbymoorside £339,000, Llanelli £13,000 and £25,000 for a veterinary vehicle in the West Midlands.

	£'000	
15. Related parties	2015	2014
Sales from PDSA to PDSA Trading Limited		
Allocation of shared staff and overhead costs	6,244	6,984
	6,244	6,984
Sales from PDSA to PDSA PetAid Enterprises Limited		
Allocation of shared staff and overhead costs	3,197	2,839
	3,197	2,839
Sales from PDSA Trading Limited to PDSA		
Acquisition of donors and administration of the retail gift aid sales scheme	4,832	5,040
	4,832	5,040
Sales from PDSA PetAid Enterprises Limited to PDSA		
Provision of preventive services and drugs	548	36
Building of new Pet Hospitals	1,199	397
	1,747	433
Amounts owed to PDSA by Subsidiary undertakings		
PDSA Trading Limited	489	621
PDSA PetAid Enterprises Limited	621	1,691
PDSA Property Services Limited	26	26
	1,136	2,338
16. Capital commitments	2015	2014
Group and charity		
Purchase of tangible fixed assets authorised but not contracted	1,851	5,323
17. Operating lease commitments	2015	2014
Group and charity		
Total commitments not provided for in these financial statements under non-cancellable operating leases are as follows:		
Amounts payable:		
Within one year	2,960	3,231
Within two to five years	6,789	6,879
After more than five years	2,901	3,287
	12,650	13,397

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	
PDSA Trading Limited	1595637	Principal activities: operation of lotteries, mail order catalogues, sale of financial services and new goods through PDSA's chain of shops.
PDSA Property Services Limited	2340793	The company is currently not trading.
PDSA PetAid Enterprises Limited	4374375	Principal activities: provision of preventive veterinary services and the construction of new PDSA Pet Hospitals for the charity.

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

A 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 2015	Unrestricted funds	Restricted funds and endowments	Total 2014
Total income	77,390	5,867	83,257	81,405	6,835	88,240
Total expenditure	94,778	4,341	99,119	88,702	5,356	94,058
Net gains on investments	291	-	291	2,690	-	2,690
Net expenditure	(17,097)	1,526	(15,571)	(4,607)	1,479	(3,128)
Transfers between funds	1,644	(1,644)	-	5,034	(5,034)	-
Actuarial gain/(loss) on defined benefit pension scheme	1,900	-	1,900	(12,600)	-	(12,600)
Net movement in funds	(13,553)	(118)	(13,671)	(12,173)	(3,555)	(15,728)
Reconciliation of funds						
Total funds brought forward	85,644	2,911	88,555	97,817	6,466	104,283
Total funds carried forward	72,091	2,793	74,884	85,644	2,911	88,555

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	
	2015	2014	2015	2014	2015	2014
Income	9,431	10,636	-	-	9,270	7,883
Expenditure	(8,028)	(9,191)	(1)	(1)	(7,149)	(5,987)
Profit/(loss) for the year	1,403	1,445	(1)	(1)	2,121	1,896
Gifted to The People's Dispensary for Sick Animals	(1,403)	(1,445)	-	-	(2,121)	(1,896)
Retained loss	-	-	(1)	(1)	-	-

£'000

Aggregate of the assets and liabilities:

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2015	2014	2015	2014	2015	2014
Assets	641	637	16	17	1,642	2,499
Liabilities	(634)	(630)	(27)	(27)	(1,642)	(2,499)
Net assets/(liabilities)	7	7	(11)	(10)	-	-

19. First time adoption of FRS102

	Reserves at 1 January 2014	SOFA 2014	Reserves at 31 December 2014
As previously stated under UK GAAP	94,456	(14,265)	80,191
Actuarial valuation of defined benefit pension scheme assets and liabilities	-	300	300
Other pension expenditure	-	(300)	(300)
Valuation of donated goods	675	(150)	525
Valuation of legacy debtor	7,809	(1,337)	6,472
As stated in accordance with FRS102	102,940	(15,752)	87,188

£ millions

20. 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 (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 over 16 years. An independent qualified actuary has calculated the RBP liabilities from data provided by the RBP administrators as at 31 December 2014.

The timetable for agreeing the 31 December 2014 Valuation of the RBP would normally be 31 March 2016, but we are extending this until 1 October 2016 and the Pensions Regulator has been advised. 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.

The amounts recognised in the balance sheet are as follows:

	2015	2014
Present value of funded obligations	(121.6)	(120.0)
Fair value of scheme assets	95.4	92.5
Net defined benefit liability	(26.2)	(27.5)

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

	2015	2014
Current service cost	2.9	2.8
Scheme administration expenses	0.6	0.7
Net interest on the defined benefit liability	1.0	0.9
Total	4.5	4.4
	2015	2014
Return on the scheme assets	2.1	1.9

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

	2015
Opening defined benefit obligation	120.0
Current service cost	2.9
Interest expense	4.4
Actuarial losses/(gains)	(3.2)
Benefits paid	(2.5)
Closing defined benefit obligation	121.6

Changes in the fair value of scheme assets

	2015
Opening fair value of the scheme assets	92.5
Interest income	3.4
Return on scheme assets excluding interest income	(1.3)
Scheme administration expenses	(0.6)
Contributions by employer	3.9
Benefits paid	(2.5)
Closing fair value of the scheme assets	95.4

The £3.9 million of contributions by the Society to the RBP were broken down as follows: £2.0 million of standard accrual contributions, £1.3 million of employer deficit recovery contributions, £0.6 million of employer SMART contributions.

The society expects to pay approximately £3.8 million accrual and expenses (including SMART contributions paid by the society on the members' behalf), and deficit contributions to the RBP. This assumes that there are no changes to the membership or benefits over the year, but may change as a result of the 31 December 2014 actuarial valuation.

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

	2015	2014
Equities and property	46.7%	39.5%
Corporate bonds	8.0%	8.1%
Gilts	16.2%	17.0%
Insurance policy	27.6%	28.8%
Cash	1.5%	6.7%

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

	2015		2014	
	Pensioner	Non Pensioner	Pensioner	Non Pensioner
Discount rate (pre-retirement)		3.95%		3.75%
Discount rate (post-retirement)	3.70%	3.95%	3.35%	3.75%
Price inflation				
RPI	2.95%	3.25%	2.95%	3.15%
CPI	1.95%	2.25%	1.95%	2.15%
Future salary increases		3.00%		2.90%
Future pension increase: RPI max 5%	2.85%	3.10%	2.85%	3.05%
RPI max 2.5%	2.00%	2.10%	2.00%	2.10%
Cash commutation	All members are assumed to commute the maximum cash amount			
Mortality tables used	S2PA year of birth tables with CMI 2015 projections and 1.25% long-term trend rate		S1PA year of birth tables with CMI 2013 projections and 1.25% long-term trend rate	
Mortality - current pensioners, male life expectancy at age 65	22.1 years		22.4 years	
Mortality - future pensioners, male life expectancy at age 65, (current age 50)	23.8 years		24.1 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

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

PDSA Head Office
Whitechapel Way
Priorslee, Telford
Shropshire TF2 9PQ