

A close-up photograph of a woman with a warm smile, wearing a blue PDSA uniform, tending to a small, fluffy tabby kitten. She is carefully applying a white bandage to the kitten's front paw. The kitten is held gently in her arms and looks up towards her. The background is a soft, out-of-focus light color.

# Annual Report & Accounts 2012

pdsa

**pdsa**  
for pets in need of vets

# What we do

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

“

Our mission is:

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

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We never turn away a sick or injured pet.

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In 2012 we treated

404,000

pets and provided

2.3 million

free PetAid hospital treatments.

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We receive no Central Government funding for our work.

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



100%

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

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43

PetAid hospitals

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7

PetAid branches

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384

PetAid practices

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PetAid special requests

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# PDSA at a glance

## Achieving our vision and mission

### Highlights of the year

- Raising a new record income of £94.8 million.
- Issuing the second annual *PDSA Animal Wellbeing (PAW) Report*; the largest survey into the state of our nation's pets, with record PR coverage.
- Reaching £2.6 million towards our three-year £6 million Pet Hospital Appeal, which has enabled the building and opening of the new PetAid hospital in Plymouth, The Gwen Rees Centre.
- Developing and introducing a new organisation-wide leadership programme.
- PDSA was one of 60 organisations awarded the Queen's Diamond Jubilee Volunteering Award.



## Our long term priorities

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

## Our 10 strategic goals

### PetAid services

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

### Income

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

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

### Awareness

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

### Shared services

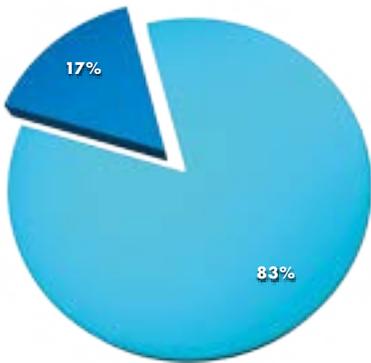
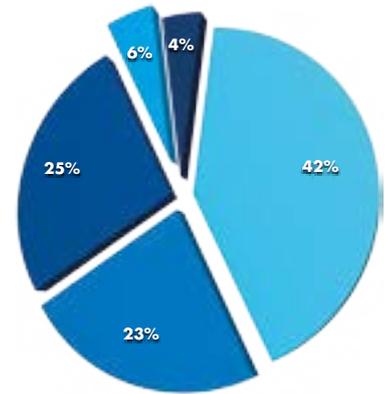
9. Develop and implement strategies that enable PDSA staff and volunteers to fulfil their potential and engage and motivate them in the delivery of the Business Plan.
10. Protect, support and develop the infrastructure of PDSA and improve business efficiency, while managing strategic and operational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

# Income and expenditure

## Income comes from a wide range of sources

Voluntary income (donations and legacies) is PDSA's most important income source – 65% of total income. It is PDSA's long-term aim to reduce reliance on this area by increasing sales from emerging income streams – both trading activities and veterinary activities.

■ Legacies	42%	£39.4m
■ Donations	23%	£22.1m
■ Trading and Retail	25%	£24.1m
■ Preventive services	6%	£5.3m
■ Investment income/disposals	4%	£3.9m
	100%	£94.8m



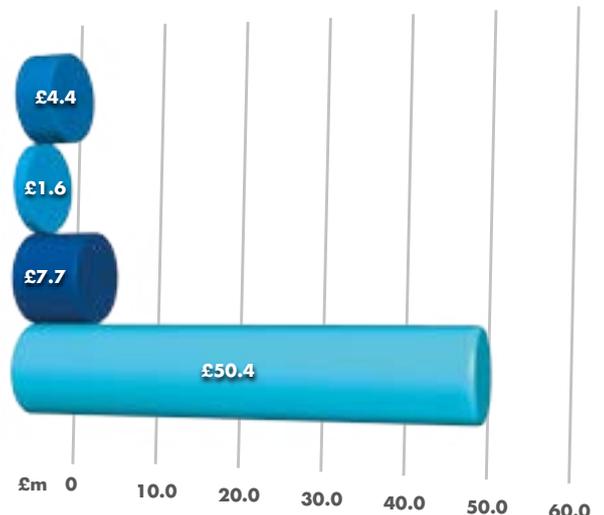
## 83% of your donations were available for our mission ...

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

## Spending on our mission

Spending on our mission grew by £2.5 million (4%) to **£64.1 million** in 2012 and exceeded our 'net incoming resources available for charitable activities' by £2.6 million. Some PetAid services are contracted to local private veterinary practices in order to increase the reach of our work in a cost-efficient way. Promotion of responsible pet ownership and preventive services are growing areas of importance as PDSA increases its status as the recognised leader in promoting pet health.

■ Preventive services	£4.4m
■ Promotion of Responsible Pet Ownership	£1.6m
■ Contracted services	£7.7m
■ PetAid hospitals	£50.4m



# Where PDSA is now

## Chairman's letter

As expected, the continuing economic uncertainty in 2012 made for another challenging year for PDSA. In such circumstances it would be easy to become distracted by financial pressures and lose sight of PDSA's mission; to care for the pets of people in need and promote responsible pet ownership. So, I am particularly pleased to be able to report that PDSA has both maintained and extended its service and remains in good financial health supported by its strong reserves and careful financial management. The scale of our undertaking can be seen from the numbers of sick and injured animals we treat; in 2012 this amounted to over 400,000 pets and involved 2.3 million free PetAid hospital treatments. Expenditure on services for communities in most need of our support amounted to £64.1 million, a 4% increase on 2011.

PDSA's strength undoubtedly lies in its people – our staff, volunteers and PetAid practice partners. They provide the skill and determination to deliver much-needed services, the innovation to undertake our mission in ever more efficient ways and the energy to generate the income to enable our work to continue. We invest in our people: a new, exciting leadership programme has been developed internally for staff; a 'talent management' programme is under development to encourage our future leaders. We are the proud holder of the 'Investing in Volunteers' quality standard and during the year were delighted to be awarded The Queen's Diamond Jubilee Volunteering Award, one of only a small number of organisations to receive this prestigious award.

Economic conditions remain weak in the UK and are expected to do so throughout 2013. PDSA cannot be immune from the effects of this on the demand for our services and on the ability of our supporters to give. However, I am proud of the fact that in 2012 PDSA raised a record level of income of £94.8 million. We are extremely grateful to our supporters for their continued and much-needed financial support. Through our Pet Hospital Appeal we were able to build, and in October 2012 open, a new replacement PetAid hospital in Plymouth, The Gwen Rees Centre. Further replacement PetAid hospitals are planned: the next, in Cardiff, will commence construction during 2013 and will be named The Marian and Christina Ionescu Centre in recognition of the significant and generous donation received from Mr and Mrs Ionescu. We have also extended our service with a new PetAid branch opening in Sheffield to support growing demand.

In September 2012 we launched the second *PDSA Animal Wellbeing (PAW) Report* through which we learned more about the health and welfare of the UK's pets. The Report was the result of further collaboration between PDSA and leading researcher YouGov and built on work from the acclaimed first Report in 2011. I encourage you to view and share our latest animation video that we have used in its promotion [www.pdsa.org.uk/pet-health-advice/pdsa-animal-wellbeing-report](http://www.pdsa.org.uk/pet-health-advice/pdsa-animal-wellbeing-report). PDSA has strengthened its commitment to pet health this year, in particular its Community and Education team of veterinary nurses to support the community PetCheck programme. As ever, this service is invaluable in helping our engagement with the public. We sincerely thank Mr Robert Breckman for his support in providing the PetCheck vehicles that enable the programme to flourish. The first Pet Wellbeing Month has been held, which provided an opportunity to bring pets for a wellbeing MOT and to help our clients understand and meet the five welfare needs of their pets.

We like to think of ourselves as a nation of pet lovers but the

*PAW Report* suggests that there remains much work to be done in educating pet owners about their pets' welfare needs. I'd like to conclude with a quote from the inspiring *PAW Report*.

'... Over 10 million pets are not as healthy and happy as they should be – with many suffering in silence from preventable conditions. As the UK's leading veterinary charity, we simply cannot ignore this and want to do all we can to improve the physical health and mental wellbeing of pets.'

Will you help us?



Michael Bolton  
Chairman

“  
... Over 10 million  
pets are not as  
healthy and happy as  
they should be.  
”



# Our strategic goals

## Meeting our goals

### Maintaining PDSA PetAid services

#### Replacement of existing PetAid hospitals

Our programme of replacing existing PetAid hospitals is necessary to ensure that they remain fit for purpose. In 2012 this continued with the construction and opening of the replacement Plymouth PetAid hospital, The Gwen Rees Centre.

We will begin the construction of a replacement Cardiff PetAid hospital and intend to open this much-needed facility to the public in 2013. In addition, land has been identified for the Birmingham (Quinton) replacement PetAid hospital and we hope to complete the purchase in 2013. A site search has begun in the northwest of England to secure land, which will ensure that direct service coverage is maximised in a region with a high Poverty Index.

#### Refurbishment

During the year we completed a number of significant projects to improve the ability of existing PetAid hospitals to meet the demand for our services and make best use of available space. These were in Croydon; East Glasgow; and Thamesmead, The Freda Powell Centre.

#### Partnership

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



### Expanding PDSA PetAid services

#### Numbers of animals treated

We treated 404,000 sick and injured animals through PetAid hospitals, Partnership arrangements, PetAid practices and PetAid Special Requests. This represents a 2.2% decrease on 2011 due to a change in PDSA's eligibility criteria following the introduction of the One Pedigree Pet rule. It is anticipated that the underlying trend of growth in the number of animals being treated will be evident by 2014, once the rule change has fully taken effect on PDSA's client base.

#### PetAid branch opportunities

During 2012, a new branch was acquired, converted and opened in Sheffield to help meet the growing demand for our veterinary service in this area. We will continue to investigate PetAid branch opportunities to support our PetAid hospital operations strategically in locations where a branch could, cost-effectively, help expand service availability.

#### Additional PetAid practices

We are committed to the PetAid practice service as this provides important access to customers who do not live near to a PetAid hospital. During the year, practice services were launched in two new locations as well as a service extension in one area, collectively extending our services to a further 3,400 PDSA eligible households. In 2013 we will look to further expand our services in partnership with private veterinary practices.

#### Coverage of eligible households

New service launches take the number of PetAid practice locations to 191 with 380 contracted PetAid practices. Coverage of PDSA eligible households by the PetAid practice service is 19.45% and combined with the PetAid hospital service is 78.29%. Households with neither PetAid practice nor PetAid hospital service have access to PetAid Special Request service and this achieves 100% coverage of eligible households throughout the UK.

# Meeting our goals

## Optimising use of Veterinary Resources

We spent nearly £64.1 million on delivering much-needed pet care treatment, education and information to disadvantaged communities across the UK. These services are delivered in a range of different ways to ensure effective use of our financial resources.

A digital telephone system was implemented into PetAid hospitals to help improve customer service and maximise call handling efficiency. Effective retendering processes, notably for pharmaceuticals, out-of-hours services and clinical waste, enabled us to mitigate the effects of cost inflation in these areas. The continued rollout of digital x-ray processors saves clinical time (and has welfare benefits for pets) as well as reducing consumables costs. A new out-of-hours service was developed and launched from the Basildon PetAid hospital, The Coco Markus Centre, through PDSA Enterprises Limited for PDSA clients and also serves local private practices, helping to contribute towards the running cost of the charitable service.

Collaboration with Cats Protection and Dogs Trust resulted in more than 5,600 bitch spays and dog castrations and more than 16,500 cats being neutered, to a combined value of £485,000.



In 2013 we hope to begin the replacement of our ageing computerised clinical records system.

## Promoting pet health

### Preventive services

Preventive services income continues to grow and during 2012 total sales increased by 6% to £5.3 million with more than 110,000 preventive procedures performed and more than 310,000 preventive products sold. We continue to promote preventive services as part of our responsible pet ownership message and in 2013 aim to increase preventive sales to £5.8 million, helping eligible owners to keep their pets healthy.

### Pet health

In 2012 we produced our second *PDSA Animal Wellbeing (PAWV) Report*, following the success of the 2011 Report, which was the largest survey into the state of the UK's pets, in conjunction with leading research organisation YouGov. PR coverage

generated by the 2012 Report led to a record 255 million opportunities to see coverage of the Report and the wider work of PDSA. In addition, a new digital animation was produced to support the Report's key findings. The first Pet Wellbeing Month was held across PetAid hospitals, providing an opportunity to bring pets for a wellbeing MOT and to help our clients understand and meet the five welfare needs of their pets. We hope to continue the growth of this activity in 2013.

### PetCheck programme

The PetCheck programme completed more than 6,000 free pet health checks. A new Community and Education team of Veterinary Nurses was established to support the programme and provided talks to nearly 30,000 schoolchildren. We will continue to use the PetCheck programme and plan to replace the vehicles in 2013, the first of which was generously sponsored by Julie and Robert Breckman. The nursing team will work to educate and raise awareness of animal welfare issues across the communities of the UK. The PetCheck programme will be

“ These services are delivered in a range of different ways to ensure effective use of our financial resources. ”

community-focused and based regionally to ensure our messages and free health checks are reaching those most in need, correlating closely with the findings of the *PAW Report*.

## Income

### Marketing income

2012 was the second full year of the three-year £6 million Pet Hospital Appeal in support of our new PetAid hospital replacements at Plymouth, Birmingham (Quinton) and Cardiff. £0.9 million was raised in 2012, bringing the total to £2.6 million to date.

2013 is forecast to see a year-on-year increase in income of 20% across the Marketing area. In order to achieve this increase, Marketing's focus will be on reaching the Pet Hospital Appeal target, developing existing and new income streams, and reviewing its product mix in order to ensure that we can offer relevant propositions to existing and potential supporters throughout their lives.

### Client contributions

Clients are asked to make a voluntary contribution for their pet's treatment. These contributions are an invaluable source of income, increasing by 3.7% year-on-year to £8.3 million despite the reduction in the number of animals treated. The average amount contributed per pet increased by 6.5%.

### Retail and Trading

Retail performance in 2012 suffered as a result of the economic climate and shortages of donated stock, falling back from 2011's record performance. We continued to open new stores, although we lost a number of our temporary 'pop-up' stores. During 2013 we plan to open nine new stores. We have trialled a new home-party product range and further expanded our Amazon presence.

### Legacy income

Legacy income continues to be the largest single source of income for the charity. Generating income over the last few years

has been difficult, set against a backdrop of little or no growth in both the property and investment markets that are the principal contributors for legacy income. Against these headwinds, income of £39.4 million was achieved in 2012, a 3% increase year-on-year.

## Awareness

### Awareness and media coverage

The *PDSA Animal Wellbeing (PAW) Report*, together with PDSA's Pet Fit Club programme and Animal Bravery Awards, provided unique and effective media engagement platforms from which we significantly increased our coverage across the key media channels of TV, radio, national and local press as well as online. PDSA's digital presence increased significantly with PDSA established on all major social media network platforms, resulting in an increase in engagement of new and younger target audiences. In 2013 we will continue the development of our digital marketing strategy across a broad range of digital media platforms to attract and engage with a new cohort of supporters.

“  
The *PAW Report* suggests there remains much more work to be done.  
”

## Shared services

### Financial management

Cash forecasting and working capital management were further developed during the year to maximise available cash balances. New systems to improve the effectiveness of financial forecasting and reporting were approved and these will be implemented during 2013.

### Resources

Transforming leadership at PDSA is a key strategic initiative. We have begun this cultural change journey with the rollout of an organisation-wide leadership development programme, which is characterised by the use of a blend of workshops and supporting tools that have been developed in-house.



# About PDSA

## Structure and governance

### Governing documents and registration

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

### Governing body – Council

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

#### Chairman

Mr Michael Bolton, FCA\*

#### Deputy Chairman

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

#### Other Trustees

Mr Richard Clowes, BSc MI Mech E\*

Mr Mike Dernie, BA, FRSA

Ms Catherine Dixon, MBA

Mr Gary Ennis, BSc\*

Mr Noel Guilford, BA, FCA\*#

Mr Roger Hills\*

Ms Laurie Mayers, BA, MA\*

Mr John Miller, BSc, MCIPD, AFBPsS

Mr John Murphy

Mr Mike Radford, OBE, LLB#

\*Member of the Finance and Investment Committee

#Member of the Audit Committee

The total number of Trustees is currently 12 and they are listed below.

### Committees

The committees that met regularly during 2012 were: Finance & Investment Committee, which reviews the Fund Manager's performance, the budget and most other financial matters; Special Purposes Committee [see details of members on page 32], which approves legal agreements; and Audit Committee, which considers risk and internal and external audit matters. The Audit Committee also reviews PDSA's health and safety management and, at a strategic level, all aspects of our clinical governance framework, thereby giving a holistic view as to the quality assurance of PDSA's veterinary service.

### Trustee recruitment and training

Trustees are appointed by Council and all Trustees are encouraged to keep in mind, whenever meeting new acquaintances or business contacts, the need to identify potential Trustees. Trustee recruitment may also be achieved by the Chairman engaging the services of a recruitment agency and in either circumstance, a recruitment process is followed. Qualifications for trusteeship include a commitment to animal welfare plus specialist expertise or knowledge considered to be of benefit to PDSA. It is Council's policy for the governing body to consist of ten to twelve Trustees. However, Council may plan to increase this number to take account of planned retirements



while maintaining an appropriate range of skills and expertise. Trustees normally serve three four-year terms which may be extended at the request of Council.

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

pension law and administration, and investment practice.

### Executive management

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

### Group structure

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

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



# Structure and governance

## Trustees' responsibilities

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

The law applicable to charities in England, Wales and Scotland requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and

Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of The People's Dispensary for Sick Animals Acts 1949 and 1956. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Risk

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

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

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

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

- **Legacy income** – this represents approximately 42% of PDSA's total income and there is a risk that reductions in this income source could materially affect PDSA's financial position.
- **Investment portfolio** – this represents the majority of free reserves and can be subject to significant volatility from time to time.
- **Unique animals** – demand for PDSA's services can fluctuate over



short periods of time that can result in significant cost increases.

- **Service infrastructure** – PDSA is a large and complex service operation over a wide geographical area. Risk factors include cost increases due to service growth and inflation, the PetAid hospital replacement programme and the national distribution of services. Service provision would need a long turnaround period in order to downsize operations should financial constraints require and this needs to be reflected in the level of free reserves.

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

2012 was the charity's 95th year of caring for pets.

# People



Our people are vital to the success of PDSA. PDSA aims to recruit and retain dedicated staff and volunteers, engaging and enabling them to fulfil their potential to improve organisational performance.

Staff engagement is a core responsibility. PDSA values its long-standing Staff Consultation and Communication (SCC) Groups. These arrangements enable PDSA to consult staff and involve them in its work. Activities and action plans to overcome concerns raised in the last staff survey have continued, which have included a focus on improving the quality of leadership at PDSA, and two-way communication aimed at creating more opportunities for staff to raise their views.

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

PDSA is committed to developing our staff and volunteers so that they are able to fulfil their potential. A key focus for 2012 has been the development of its leaders. An internal programme has been created to develop skills and re-orient the culture of the organisation and over 400 leaders have joined it, so far. A key element of the programme is for managers to commit to PDSA's BRIC leadership principles whereby they Believe they are Responsible, Involve others and Challenge. This is only the start of PDSA's leadership journey as further development is planned for 2013 and 2014. Another important development this year has been the commencement of a talent management programme. Ultimately, this will cover the recruitment and development of a wide range of apprentices and trainees in line with the needs of the organisation, as well as the development of staff with high potential.

Over 5,200 volunteers support PDSA throughout the UK by helping in the PetAid hospitals, stores, fundraising groups and offices. The biannual 'Volunteer Investment and Value Audit' shows that PDSA's volunteers donate nearly 1.5 million hours each year, which saves the organisation £12.2 million in employment costs.

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

Furthermore, for every £1 that PDSA invests in volunteering, PDSA gets £21 back in value – or a 2,100% return on investment. PDSA was one of 60 organisations to be awarded the Queen's Diamond Jubilee Volunteering Award, recognising our work with volunteers and the difference those volunteers have made to society.



# Financial review

## Overview

### Overview

As with 2011, we predicted that 2012 was going to be another financially challenging year. The national economic situation remains weak and competition for the donor pound is ever increasing. This perpetuates the challenges of controlling PDSA's costs and cash and generating income.

In line with our forecasts, there was a deficit in net incoming resources before other recognised gains and losses and this totalled £2.9 million (2011: £1.1 million). In contrast to this, there was a welcome gain from our investment portfolio of £3.5 million (2011: loss £4.9 million), arising from more favourable investment markets.

Despite a tough external environment, we achieved record income of £94.8 million

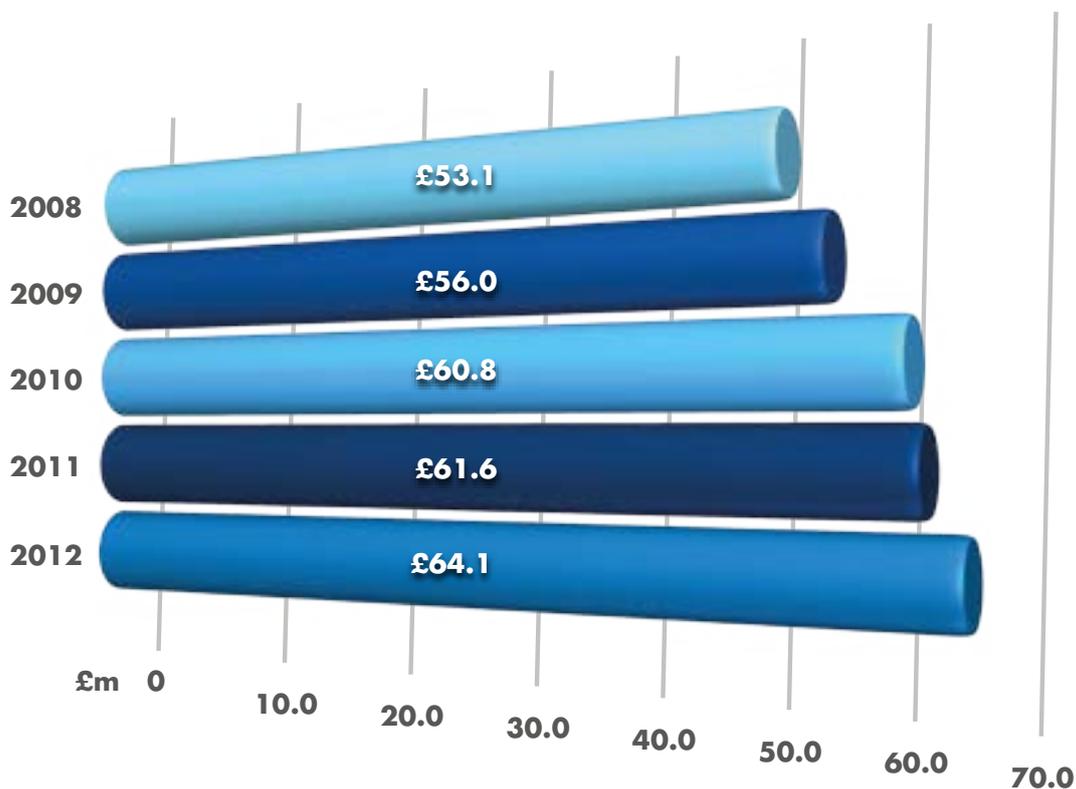
(2011: £93.5 million). Legacies continue to provide our largest source of income rising by 3% to £39.4 million (2011: £38.1 million). Sales of preventive services continue to grow and these increased by 6% to £5.3 million; additionally, client contributions increased by 3.7% to £8.3 million, even though there was a small fall in the number of pets treated.

In contrast, our retail operation's results were affected by extremely difficult trading conditions with new goods sales falling by 13% and donated goods sales by 3% compared to 2011. Achieving a continuous supply of donated saleable stock has been a key challenge. To counter this, we have sought to maximise the income from Gift Aid and costs have been kept under tight control. Initiatives to increase new goods sales are under way through online and home-party channels.

Resources expended on charitable activities increased by 4% compared to 2011, reflecting increases in preventive activity, more resources allocated to the promotion of responsible pet ownership as well as veterinary cost inflation. This cost amounted to 104% of net incoming resources available for charitable activities (2011: 102%).

There was an actuarial loss of £8.5 million (2011: £2.9 million loss) for the defined benefit pension scheme resulting from the accounting provisions for pension schemes under Financial Reporting Standard 17 – Retirement Benefits (FRS17). The loss was primarily due to changes in actuarial assumptions at the year end. Management has been engaged in exercises to reduce pension liabilities and this will continue.

## Spending on charitable activities



	2012 £ million	cost/£	2011 £ million	cost/£
Voluntary net income	51.2	0.17	50.1	0.16
Trading-related net income	1.4	0.94	1.9	0.92
Asset-related net income	3.5	0.09	3.7	0.09
Preventive services gross income	5.3	0.82	5.0	0.81
<b>Net incoming resources available for charitable activities</b>	<b>61.4</b>	<b>0.39</b>	<b>60.7</b>	<b>0.38</b>

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

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

Income from donations and legacies is critical to PDSA and resources commensurate with its importance are devoted to marketing and managing in this area. From the table above it can be seen that the cost of raising voluntary income overall from our donors rose slightly in 2012 to 17p per pound (£).

Legacies receivable delivers some 65% of net income (2011: 63%). However, it is our longer-term aim to reduce the dependence on legacies by growing other income streams; we aim to do this through innovative approaches to generating donations and by maximising new and emerging trading opportunities in retail, direct marketing and veterinary commercial activities.

The cost of income relating to trading activity is 94p per pound (£) (2011: 92p) and this area delivered a net surplus which, in 2012, totalled £1.4 million (2011: £1.9 million). If the costs of trading

were removed, the cost of delivering our net incoming resources, available for charitable activities, would be 20p per pound (£) (2011: 19p).

Governance costs represented 0.26% of incoming resources (2011: 0.26%).

investment fund. Day-to-day management of the fund is delegated, with the consent of the Charity Commission, to a professional manager whose performance is regularly reviewed by the Finance & Investment Committee; the manager is instructed to comply with an ethical investment policy that precludes investing directly in those organisations involved in testing on animals for cosmetic and other non-medical purposes.



### Investments and cash balances

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

At the end of 2012 investments totalled £71.0 million (2011: £71.5 million) and primarily consist of the externally managed

“  
Despite a tough external environment, we achieved record income of £94.8 million ...  
However, in line with our forecasts, there was a deficit.  
”

# Investments, reserves and pensions

## The breakdown of the fund by asset categories as at 31 December 2012

	Main fund £'000	Target allocation	Actual allocation	No. 2 account £'000	Total £'000
UK equities	25,893	50%	44%	-	25,893
Fixed interest	7,538	10%	13%	1,088	8,626
Property unit trusts	5,990	10%	10%	-	5,990
Overseas equities	16,453	30%	28%	-	16,453
Other structured investments	2,294	0%	4%	8,140	10,434
Cash funds and on deposit	534	0%	1%	1,891	2,425
<b>Total</b>	<b>58,702</b>	<b>100%</b>	<b>100%</b>	<b>11,119</b>	<b>69,821</b>
<b>Share</b>	<b>84.1%</b>			<b>15.9%</b>	

The investment fund is managed on a total return basis, but subject to the charity's ethical investment policy and increased income target. The fund's Statement of Investment Principles states a target asset allocation as shown in the table above. There is no target allocation for the No. 2 account, which is more liquid and less volatile than the main fund and, therefore, more available to meet any short-term operational cash needs as well as supporting the Business Plan to maintain and expand the delivery of PDSA's veterinary services.

Investment markets were more favourable in 2012, and the Main Fund generated a gain of 11.3% (2011: deficit of 3.6%), compared to the composite benchmark return of 10.3%. During the year, £5.2 million was withdrawn from the portfolio to support operating cash requirements.

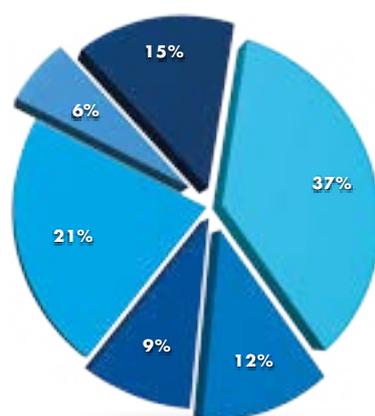
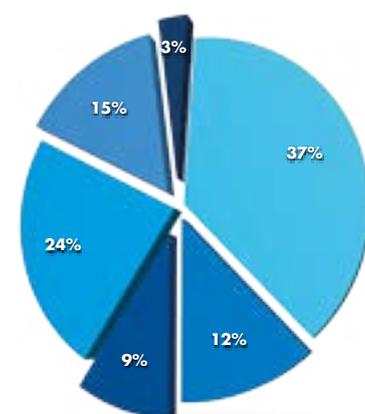
Following a review of investment strategy, in early 2013 PDSA will divide its investment portfolio between two investment managers, Newton Investment Management and Standard Life Investments, and select pooled funds rather than direct investments.

Investment properties held are revalued each year by external surveyors. The value at 31 December 2012 was £1.1 million (2011: £2.5 million). The fall in value is due to a series of property disposals during the year.

## The graphs below show the distribution of the total investments in respective years

### 2012

UK equities	3%
Fixed interest	37%
Property unit trusts	12%
Overseas equities	9%
Other structured investments	24%
Cash funds and on deposit	15%



### 2011

UK equities	3%
Fixed interest	37%
Property unit trusts	12%
Overseas equities	9%
Other structured investments	24%
Cash funds and on deposit	15%



## Reserves and going concern

Council reviews its reserves policy regularly as part of its business planning process. It seeks to ensure that it retains sufficient reserves to fund planned activity agreed in the Business Plan, to be responsive to unforeseen and unplanned activity and to protect PDSA from unexpected events, such as fluctuations in income and the valuation of investments that are not anticipated in the Business Plan. PDSA adopts Charity Commission guidance on reserves policy as set out in Charity Commission Guidelines CC19.

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

On this basis, the minimum level of free reserves is set, as planned, at £49 million. At 31 December 2012 the charity had total free reserves of £66 million (2011: £66 million) in addition to the contingent assets of the legacy pipeline of £22.9 million. Furthermore, the charity's investment fund has liquidity to give flexibility in managing any potential downturn in income. The charity also has a £2 million unsecured overdraft facility with Lloyds TSB Bank plc.

Given current economic uncertainty, 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 autumn the Trustees formally review financial plans for the current and following four years.

No matters have come to the attention of the Trustees, which might suggest that the charity will not be able to maintain

its current activities for the foreseeable future and they therefore consider that it is appropriate for the financial statements to be prepared on the going concern basis.

## Pension Plans

PDSA operates a defined benefit pension scheme and a Group Personal Pension Plan. The defined benefit pension scheme, which was closed to new employees from 1 January 2008, had a deficit, as calculated under the provisions of FRS17, of £9.1 million at 31 December 2012 (2011: £2.3 million).

For the defined benefit pension scheme, the latest triennial actuarial valuation was carried out as at 31 December 2011 and this showed a deficit of £24.3 million. Measures to reduce the deficit will include the provision of additional employer funding of £1.1 million per annum. Furthermore, there is an escrow account to be used on deficit reduction activities agreed with the pension scheme Trustees; the balance of this account at 31 December 2012 was £2.2 million (2011: £1.4 million).

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

PDSA aims to contain the growth in its commitment to pension provision but at the same time to continue to offer an attractive pension scheme to employees.

PDSA has strong reserves to protect its ability to continue services during economic uncertainty.

# Public benefit

## Meeting the need



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

PDSA defines its boundaries as those pet owners who receive either Housing Benefit or Council Tax Benefit, and live within a defined catchment area around each PetAid hospital, branch or practice. It will be monitoring proposals by the Government for changes to the benefits structure.

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

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

There is no doubt that, without the work of PDSA and the provision of our free veterinary care, many pet owners would have been in the distressing position of seeing their sick and injured pets suffer unnecessarily. PDSA provides vital

veterinary services for those communities in most need of support and spent £64.1 million in providing this service in 2012, a 4% increase compared to 2011. In 2012, PDSA treated 404,000 pets and there is a high level of satisfaction in our services. Our pet health work is expanding with a number of key projects to help educate and inform owners in providing for their pet's health and welfare needs. This includes making preventive health care services available to eligible clients for an affordable fee.

### Public benefit in Scotland

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

Gross income raised in 2012 from charity stores, fundraising groups and PetAid hospitals in Scotland amounted to £4.6 million (2011: £4.5 million).

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

Approved by Council and signed on its behalf by:

Michael Bolton  
Chairman  
02 May 2013

Free treatment for  
pets of those in need  
is PDSA's unique  
public benefit.

# 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 2012 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 19. 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 section 144 of the Charities Act 2011, regulations made under section 154 of that Act, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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 Trustees' Responsibilities Statement, the Trustees are responsible for the preparation of the financial statements, which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with 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 Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the group's and the parent charity's affairs as at 31 December 2012 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, regulation 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 Charity 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 accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Deloitte LLP  
Chartered Accountants and  
Statutory Auditor  
Bristol, United Kingdom  
03 May 2013

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

## Notes

An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# Consolidated Statement of Financial Activities

For the year ended 31 December 2012

	Note	Unrestricted funds	Restricted funds	Total 2012	Total 2011
<b>£'000</b>					
<b>Incoming resources</b>					
<b>From generated funds</b>					
Voluntary income	2	57,371	4,089	61,460	59,722
Activities for generating funds	2	24,136	-	24,136	24,641
Investment income	2	3,255	-	3,255	3,865
<b>From charitable activities</b>					
Preventive services		5,335	-	5,335	5,049
<b>From other sources</b>					
Net gain on disposal of fixed assets		573	-	573	186
<b>Total incoming resources</b>		<b>90,670</b>	<b>4,089</b>	<b>94,759</b>	<b>93,463</b>
<b>Resources expended</b>					
<b>Cost of generating funds</b>					
Costs of generating voluntary income	3	10,265	7	10,272	9,612
Fundraising trading: costs of goods sold and other costs	3	22,695	-	22,695	22,779
Investment management costs	3	355	-	355	351
<b>Total costs of generating funds</b>		<b>33,315</b>	<b>7</b>	<b>33,322</b>	<b>32,742</b>
Net incoming resources available for charitable activities		57,355	4,082	61,437	60,721
<b>Charitable activities:</b>					
PetAid hospitals	3	46,892	3,461	50,353	48,205
Contracted PetAid services	3	7,203	510	7,713	7,855
Promotion of responsible pet ownership	3	1,644	6	1,650	1,476
Preventive services	3	4,352	-	4,352	4,069
		60,091	3,977	64,068	61,605
<b>Governance costs</b>	3	251	-	251	245
<b>Total resources expended</b>		<b>93,657</b>	<b>3,984</b>	<b>97,641</b>	<b>94,592</b>
<b>Net (outgoing)/incoming resources before other recognised gains and losses</b>		<b>(2,987)</b>	<b>105</b>	<b>(2,882)</b>	<b>(1,129)</b>
Gains/(losses) on investment assets	7	4,350	-	4,350	(4,701)
Actuarial loss on defined benefit pension	19	(8,500)	-	(8,500)	(2,900)
<b>Net movement in funds</b>		<b>(7,137)</b>	<b>105</b>	<b>(7,032)</b>	<b>(8,730)</b>
<b>Reconciliation of funds</b>					
Total funds brought forward		93,276	4,767	98,043	106,773
<b>Total funds carried forward</b>	14	<b>83,139</b>	<b>4,872</b>	<b>91,011</b>	<b>98,043</b>

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

# Balance Sheets

At 31 December 2012

£'000

	Note	Group		Charity	
		Total 2012	Total 2011	Total 2012	Total 2011
<b>Fixed assets</b>					
Tangible assets	6	28,328	27,417	28,863	27,862
Investments	7	70,957	71,466	70,957	71,466
<b>Total fixed assets</b>		<b>99,285</b>	98,883	<b>99,820</b>	99,328
<b>Current assets</b>					
Stocks – finished goods and goods for resale		1,757	1,733	662	698
Debtors	8	5,425	5,924	8,321	8,061
Investments	9	19	19	19	19
Cash at bank and in hand		2,880	2,601	929	1,280
<b>Total current assets</b>		<b>10,081</b>	10,277	<b>9,931</b>	10,058
Creditors – amounts falling due within one year	10	(8,369)	(8,071)	(7,656)	(7,352)
<b>Net current assets</b>		<b>1,712</b>	2,206	<b>2,275</b>	2,706
<b>Total assets less current liabilities</b>					
		<b>100,997</b>	101,089	<b>102,095</b>	102,034
Creditors – amounts falling due after more than one year	11	(24)	(27)	(24)	(27)
Provisions for liabilities	12	(837)	(686)	(837)	(686)
<b>Net assets excluding pension liability</b>		<b>100,136</b>	100,376	<b>101,234</b>	101,321
<b>Defined benefit pension scheme liability</b>	19	<b>(9,125)</b>	(2,333)	<b>(9,125)</b>	(2,333)
<b>Net assets including pension scheme liability</b>		<b>91,011</b>	98,043	<b>92,109</b>	98,988
<b>The funds of the charity</b>					
<b>Restricted income funds</b>	14	<b>4,872</b>	4,767	<b>4,872</b>	4,767
<b>Unrestricted income funds</b>					
Unrestricted income funds	14	58,711	59,389	59,809	60,334
Designated funds	14	36,553	36,220	36,553	36,220
<b>Unrestricted funds excluding pension reserve</b>		<b>95,264</b>	95,609	<b>96,362</b>	96,554
<b>Pension reserve</b>	14	<b>(9,125)</b>	(2,333)	<b>(9,125)</b>	(2,333)
<b>Total unrestricted funds</b>		<b>86,139</b>	93,276	<b>87,237</b>	94,221
<b>Total charity funds</b>		<b>91,011</b>	98,043	<b>92,109</b>	98,988

Approved by Council and signed on its behalf on 02 May 2013.



Michael Bolton  
Chairman

# Consolidated Cash Flow Statement

For the year ended 31 December 2012

		£'000	
	Note	2012	2011
<b>Net cash outflow from operating activities</b>	a	(2,800)	(737)
<b>Returns on investment and servicing of finance</b>			
Interest received		26	437
Dividends received		2,696	2,852
<b>Net cash inflow from returns on investment and servicing of finance</b>		2,722	3,289
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(3,346)	(2,256)
Sale of tangible fixed assets		775	407
Purchase of investments		(2,734)	(2,826)
Pension deficit contributions		(1,708)	(1,703)
Sale of investments		7,370	4,076
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		357	(2,302)
<b>Increase in cash in the year</b>		279	250
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase in cash in the year		279	250
Net funds at 1 January		2,620	2,370
<b>Net funds at 31 December</b>	b	2,899	2,620

## Notes to consolidated cash flow statement

a. Reconciliation of net incoming resources to net cash flow from operating activities		2012	2011
Net outgoing resources before recognised gains and losses		(2,882)	(1,129)
Investment income		(2,722)	(3,289)
Net gain on disposal of tangible fixed assets		(574)	(186)
Depreciation		2,234	2,218
Movements on investments		223	222
(Increase) in pension provision excluding actuarial loss		-	(1,000)
(Increase)/decrease in stocks		(24)	346
Decrease in debtors		499	649
Increase in creditors		295	1,303
Increase in provisions		151	129
<b>Net cash outflow from operating w</b>		(2,800)	(737)
<b>b. Changes in cash and current asset investments</b>			
	2011	Cash flow	2012
Cash at bank and in hand and current asset investments	2,620	279	2,899

Included in the cash at bank balance is £300,000 subject to a standby letter of credit agreement on behalf of PDSA Trading Limited to facilitate import arrangements for the company's primary retail new goods agent.

# Notes to the financial statements for the year ended 31 December 2012

## 1. Accounting policies

### Accounting basis

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

The charity's activities, together with factors likely to affect its future development, performance and financial position and commentary on its financial results and its cash flows, are set out in the Trustees' Report on pages 1 to 15 and elsewhere in the financial statements. For the year ended 31 December 2012 the financial statements show that PDSA had a deficit on net incoming resources before other recognised gains and losses of £2.9 million with cash consumed by operating activities of £2.8 million. The financial statements also show that the Group balance sheet had net assets including a pension scheme liability of £91 million with net current assets of £1.7 million. The minimum free reserves required under the reserves policy is £49 million compared to the current value of free reserves of £66 million. In addition, the charity has the contingent asset of the legacy pipeline of £22.9 million. The charity held cash and short-term investments of £2.9 million as at 31 December 2012. It can quickly draw on its investment fund for cash, should the case arise. The Trustees have concluded that no matters have come to their attention which would prevent the charity from being able to maintain its current charitable activities and trade with customers and suppliers and they therefore consider that it is appropriate for the financial statements to be prepared on the going concern basis.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line-by-line basis. All entities concerned prepared financial statements to 31 December 2012.

### Fund accounting

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

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

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

Investment income and gains are allocated to the appropriate fund.

### Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier date of the charity being notified of an impending distribution following settlement of the estate or the legacy being received.

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

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

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

### Resources expended

All expenditure is accounted for on an accruals basis and has been listed under the headings that aggregate all costs related to the category. Where costs cannot be directly attributed they have been allocated to activities on a basis

consistent with the use of the resources. Overheads in support areas have been allocated to activities as outlined in Note 3 to the financial statements.

Donations and gifts costs are those incurred in seeking voluntary contributions for the charity.

Governance costs are those incurred by Trustees, internal audit and fees charged by external auditors.

Irrecoverable VAT is charged as a cost to the individual activity.

### Tangible fixed assets and depreciation

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

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

Assets under course of construction	nil
Freehold land	nil
Freehold buildings	25–50 years
Long leasehold buildings	25 years
Short leasehold buildings	remainder of lease
PetAid hospital buildings, freehold and leasehold	25 years
Furniture, fittings and equipment	3–8 years
Motor vehicles	5 years

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

### Investment properties

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

# Accounting policies

## Investments

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

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

## Stocks

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

## Taxation

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

## Pension costs

For the defined benefit pension scheme, the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments; these are included as part of staff costs. Past service costs are recognised immediately if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately and are shown separately in the SOFA. Defined benefit pension schemes are funded, with the assets of the scheme held separately from those of the group, in trustee-administered funds. These assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The valuation is obtained triennially but is updated each year and the resulting asset or liability is shown on the balance sheet.

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

## Finance and operating leases

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

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

## Basis of consolidation

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

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

## 2. Incoming resources from generated funds

	£'000	
	2012	2011
<b>Voluntary income</b>		
Legacies receivable	39,411	38,069
Donations and gifts	22,049	21,653
	<b>61,460</b>	<b>59,722</b>
<b>Activities for generating funds</b>		
Lottery and similar income	3,491	3,455
Sale of donated goods*	16,953	17,517
Sale of retail new goods	2,044	2,343
Other sales income	1,648	1,326
	<b>24,136</b>	<b>24,641</b>
<b>Investment income</b>		
Listed securities – dividends	2,696	2,852
Interest on cash held as part of investment portfolio	12	16
Bank and other interest	14	421
Rents receivable	533	576
	<b>3,255</b>	<b>3,865</b>

\* 2012 includes income of £3,916,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid programme (2011: £3,367,000)

## 3. Total resources expended

	£'000			
	Activities undertaken directly	Support costs allocated	2012 Total	2011 Total
<b>Costs of generating voluntary income</b>				
Legacies receivable	1,540	148	<b>1,688</b>	1,643
Donations and gifts	7,166	410	<b>7,576</b>	6,992
Raising public perception and awareness	888	120	<b>1,008</b>	977
	<b>9,594</b>	<b>678</b>	<b>10,272</b>	<b>9,612</b>
<b>Costs of generating trading income</b>				
Merchandising and charity store operating costs	18,470	2,232	<b>20,702</b>	20,832
Lottery ticket sales	1,886	107	<b>1,993</b>	1,947
	<b>20,356</b>	<b>2,339</b>	<b>22,695</b>	<b>22,779</b>
<b>Investment management costs</b>	319	36	<b>355</b>	351
<b>Charitable activities:</b>				
PetAid hospitals	45,656	4,697	<b>50,353</b>	48,205
Contracted PetAid services	7,614	99	<b>7,713</b>	7,855
Promotion of responsible pet ownership	1,529	121	<b>1,650</b>	1,476
Preventive services	4,096	256	<b>4,352</b>	4,069
	<b>58,895</b>	<b>5,173</b>	<b>64,068</b>	<b>61,605</b>
<b>Governance costs</b>	226	25	<b>251</b>	245
	<b>89,390</b>	<b>8,251</b>	<b>97,641</b>	<b>94,592</b>

## Support costs breakdown by activity

£'000

	Human Resources	Property Services	Finance and Management	Information Technology	2012	2011
<b>Costs of generating voluntary income</b>						
Legacies receivable	59	-	50	39	148	133
Donations and gifts	61	-	234	115	410	344
Raising public perception and awareness	33	-	29	58	120	112
<b>Costs of generating trading income</b>						
Merchandising and charity store operating costs	597	633	602	400	2,232	2,061
Lottery ticket sales	7	-	61	39	107	95
<b>Investment management costs</b>	-	25	11	-	36	38
<b>Charitable activities:</b>	-	-	-	-	-	-
PetAid hospitals	2,118	594	1,727	258	4,697	4,159
Contracted PetAid services	40	9	10	40	99	104
Promotion of responsible pet ownership	57	10	50	4	121	91
Preventive services	123	-	133	-	256	215
<b>Governance costs</b>	8	-	7	10	25	24
<b>Total support costs</b>	<b>3,103</b>	<b>1,271</b>	<b>2,914</b>	<b>963</b>	<b>8,251</b>	<b>7,376</b>

## Bases of allocation

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

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

These are stated after charging:			2012	2011
Auditor's remuneration	audit fees charity		49	61
	audit fees subsidiaries		9	10
	non-audit fees charity	- tax services	10	7
		- pensions services	54	1
		- other consultancy services	2	4
	non-audit fees subsidiaries	- tax services	6	7
		- other consultancy services	2	-
Irrecoverable VAT			3,243	3,334
Depreciation – owned assets			2,234	2,218
Operating leases – buildings			3,847	3,871

## 5. Employees

	2012	2011
<b>Employment costs</b>		
Salaries	42,508	41,634
Social security costs	3,663	3,630
Employer's pension costs	3,529	1,527
Other staff costs	386	335
	<b>50,086</b>	<b>47,126</b>
<b>Average number of employees, calculated on a full-time equivalent basis</b>	<b>1,686</b>	<b>1,646</b>

	2012	2011
<b>Employment costs</b>		
The number of higher-paid employees whose emoluments were within the following scales was as follows:		
£60,001–£70,000	26	32
£70,001–£80,000	6	8
£80,001–£90,000	1	4
£90,001–£100,000	2	2
£100,001–£110,001	2	2
£120,001–£130,000	1	1
£140,001–£150,001	1	-
£150,001–£160,000	-	1

Twenty-seven (2011: thirty-six) of the higher-paid staff are members of the charity's defined benefit pension scheme. Seven of the staff are members of the Group Personal Pension Plan (2011: four).

Members of Council do not receive any remuneration.

Travel, accommodation, telecommunications, entertainment and training costs incurred by Council members on charity business are reimbursed by the charity, or are paid directly by the charity. This amounted to £14,164 during the year for twelve Council members (2011: £17,133 for thirteen).

## 6. Fixed assets

									£'000
	Assets under course of construction	Freehold land and buildings	Leasehold buildings		PetAid hospital land and buildings		Furniture fittings & equipment	Motor vehicles	Total
			Long lease	Short lease	Freehold	Long lease			
<b>Cost</b>									
At 1 January 2012	946	4,372	474	5,929	27,563	5,697	12,801	2,982	60,764
Reclassification	(2,122)	-	-	-	2,122	-	-	-	-
Additions	1,738	-	-	124	289	-	493	702	3,346
Disposals	-	-	(268)	-	-	-	(32)	(600)	(900)
<b>At 31 December 2012</b>	<b>562</b>	<b>4,372</b>	<b>206</b>	<b>6,053</b>	<b>29,974</b>	<b>5,697</b>	<b>13,262</b>	<b>3,084</b>	<b>63,210</b>
<b>Depreciation</b>									
At 1 January 2012		1,089	189	5,760	11,719	2,238	10,646	1,706	33,347
Charge for the year		99	12	48	941	171	481	482	2,234
Disposals		-	(126)	-	-	-	(30)	(543)	(699)
<b>At 31 December 2012</b>	<b>-</b>	<b>1,188</b>	<b>75</b>	<b>5,808</b>	<b>12,660</b>	<b>2,409</b>	<b>11,097</b>	<b>1,645</b>	<b>34,882</b>
<b>Net book value</b>									
<b>At 31 December 2012</b>	<b>562</b>	<b>3,184</b>	<b>131</b>	<b>245</b>	<b>17,314</b>	<b>3,288</b>	<b>2,165</b>	<b>1,439</b>	<b>28,328</b>
At 31 December 2011	946	3,283	285	169	15,844	3,459	2,155	1,276	27,417

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 £562,000 and the exclusion of the intra-group profit of £1,097,000. The intra-group profit arose from the construction and sale of PetAid hospital buildings by subsidiaries of the charity.

Assets of gross amount £17,270 (2011: £17,270), accumulated depreciation £17,270 (2011: £17,270) are subject to an operating lease to a third party. Aggregate rentals receivable by the Group in the accounting period were £4,473 (2011: £4,473).

## 7. Fixed asset investments

£'000

### Group and charity

	Investment properties			Total
	Listed investments	Freehold	Long leasehold	
At 1 January 2012	68,990	2,400	76	71,466
Additions/transfers in	2,734	-	-	2,734
Withdrawals/transfers out	(5,423)	(2,170)	-	(7,593)
Net gains/(losses) on revaluations and disposals	3,520	775	55	4,350
<b>At 31 December 2012</b>	<b>69,821</b>	<b>1,005</b>	<b>131</b>	<b>70,957</b>
<b>Historical cost</b>				
<b>At 31 December 2012</b>	<b>64,754</b>	<b>107</b>	<b>72</b>	<b>64,933</b>

	2012	2011
<b>Listed investments</b>		
UK equities	25,893	25,200
UK bonds and gilts	6,655	7,142
Overseas bonds	1,971	1,284
Property unit trusts	5,990	6,136
Overseas equities	16,453	14,484
Other structured investments	10,434	4,428
Cash funds and on deposit	2,425	10,316
<b>Total</b>	<b>69,821</b>	<b>68,990</b>

	2012	2011
At 31 December 2012 and 2011 the charity had the following holdings constituting more than 5% of the portfolio market value:		
Newton Real Return Fund	10,434	4,428
<b>The listed investments are distributed:</b>		
UK listed	56,172	55,954
Listed elsewhere	13,649	13,036

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 2012 of £1,136,000.

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

## 8. Debtors

	Group		Charity	
	2012	2011	2012	2011
Accrued legacies	1,830	2,313	1,830	2,313
Amounts due from subsidiary undertakings	-	-	3,390	2,734
Income tax recoverable	306	292	306	291
Sundry debtors	1,702	1,569	1,208	973
Prepayments	1,587	1,750	1,587	1,750
<b>Total</b>	<b>5,425</b>	<b>5,924</b>	<b>8,321</b>	<b>8,061</b>

The charity has received notification of legacies amounting to approximately £22,861,000 (2011: £23,574,000).

This total has not been recognised as income at 31 December 2012, but represents a contingent asset that will be recognised in future years.

## 9. Current asset investments

Group and charity	£'000
	Interest bearing deposit accounts
At 1 January 2012	19
Increase	-
<b>At 31 December 2012</b>	<b>19</b>

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

	Group		Charity	
	2012	2011	2012	2011
Taxation and social security	1,041	1,048	1,041	1,048
Sundry creditors	4,858	4,270	4,158	3,565
Deferred income	18	94	18	94
Accruals	2,452	2,659	2,439	2,645
	<b>8,369</b>	<b>8,071</b>	<b>7,656</b>	<b>7,352</b>

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

Group and charity	2012	2011
Sundry creditors	24	27
	<b>24</b>	<b>27</b>

## 12. Provisions for liabilities

Group and charity	2012	2011
Obligations for dilapidations in respect of rented properties the leases of which expire by 2024	687	686
Liabilities arising from a supplier claim where settlement is subject to negotiation	150	-
	<b>837</b>	<b>686</b>

## 13. Analysis of Group net assets between funds

Fund balances at 31 December 2012 are represented by:	Restricted	Designated	General	Total
Tangible fixed assets	4,015	-	24,313	<b>28,328</b>
Investments	-	36,553	34,404	<b>70,957</b>
Current assets	857	-	9,224	<b>10,081</b>
Creditors – amounts falling due within one year	-	-	(8,369)	<b>(8,369)</b>
Creditors – amounts falling due after more than one year	-	-	(24)	<b>(24)</b>
Provisions for liabilities	-	-	(837)	<b>(837)</b>
Net assets excluding pension liability	4,872	36,553	58,711	<b>100,136</b>
Defined benefit pension scheme liability	-	-	(9,125)	<b>(9,125)</b>
<b>Net assets including pension liability</b>	<b>4,872</b>	<b>36,553</b>	<b>49,586</b>	<b>91,011</b>

# 14. Statement of funds

£'000

	At 1 January 2012	Incoming resources	Outgoing resources	Gains/ (losses)	Transfers	At 31 December 2012
<b>General fund</b>	<b>59,389</b>	<b>90,670</b>	<b>(93,657)</b>	<b>(4,150)</b>	<b>6,459</b>	<b>58,711</b>
<b>Designated funds</b>						
PetAid hospital replacement	36,220	-	-	-	333	<b>36,553</b>
	36,220	-	-	-	333	<b>36,553</b>
<b>Unrestricted funds excluding pension reserve</b>	<b>95,609</b>	<b>90,670</b>	<b>(93,657)</b>	<b>(4,150)</b>	<b>6,792</b>	<b>95,264</b>
<b>Pension reserve</b>	<b>(2,333)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,792)</b>	<b>(9,125)</b>
<b>Total unrestricted funds</b>	<b>93,276</b>	<b>90,670</b>	<b>(93,657)</b>	<b>(4,150)</b>	<b>-</b>	<b>86,139</b>
<b>Restricted funds</b>						
Liverpool Huyton PetAid hospital, The Thomas Williams Centre	181	-	(13)	-	-	<b>168</b>
Restricted legacies	1,240	3,201	(3,615)	-	-	<b>826</b>
Equipment and van for Kent	44	-	(13)	-	-	<b>31</b>
Belfast Urban Development grant	55	-	(3)	-	-	<b>52</b>
Liverpool Kirkdale PetAid hospital, The Jeanne Marchig Centre	101	-	(5)	-	-	<b>96</b>
Liverpool Kirkdale PetAid hospital, The Jeanne Marchig Centre – appeal	815	-	(39)	-	-	<b>776</b>
Sunderland PetAid hospital, The Reay Hudson Centre – appeal	673	-	(28)	-	-	<b>645</b>
Glasgow (Shamrock Street) PetAid hospital – appeal	171	-	(11)	-	-	<b>160</b>
Llanelli PetAid branch – appeal	8	-	(5)	-	-	<b>3</b>
Digital x-ray – appeal	237	66	(38)	-	-	<b>265</b>
Plymouth PetAid hospital, The Gwen Rees Centre – appeal	450	160	(55)	-	757	<b>1,312</b>
Operating table – Wolverhampton PetAid hospital	2	-	-	-	-	<b>2</b>
Cardiff PetAid hospital appeal	20	3	-	-	-	<b>23</b>
Birmingham (Quinton) PetAid hospital – appeal	73	76	-	-	-	<b>149</b>
National PetAid hospital – appeal	403	354	-	-	(757)	<b>-</b>
Southampton PetAid service	250	-	-	-	-	<b>250</b>
Dundee PetAid hospital floor refurbishment	29	-	(1)	-	-	<b>28</b>
Glasgow East PetAid hospital refurbishment	15	25	(2)	-	-	<b>38</b>
Bedfordshire PetAid services	-	17	(17)	-	-	<b>-</b>
Sheffield PetAid branch	-	50	(2)	-	-	<b>48</b>
Miscellaneous restricted donations less than £10,000	-	137	(137)	-	-	<b>-</b>
<b>Total restricted funds</b>	<b>4,767</b>	<b>4,089</b>	<b>(3,984)</b>	<b>-</b>	<b>-</b>	<b>4,872</b>
<b>Total funds excluding pension reserve</b>	<b>100,376</b>	<b>94,759</b>	<b>(97,641)</b>	<b>(4,150)</b>	<b>6,792</b>	<b>100,136</b>
<b>Total funds</b>	<b>98,043</b>	<b>94,759</b>	<b>(97,641)</b>	<b>(4,150)</b>	<b>-</b>	<b>91,011</b>

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

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

- PetAid hospital replacement fund, designated for the replacement of PetAid hospitals at the end of their economic lives; this is a long-term fund with an indefinite life. A transfer from the general fund of £333,000 has been made to increase the fund to the current projected level.

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

The restricted funds have been provided for the following purposes:

- Liverpool Huyton PetAid hospital, The Thomas Williams Centre, funded by the European Regional Development Fund. The grant will be released to the General Fund over the economic life of the PetAid hospital.
- Funds bequeathed by legators for use within a specific geographical location. The balance carried forward comprises legacies received and not yet expended at Aberdeen £208,000, Ilford £173,000, Helmsley/Kirbymoorside £342,000, Plymouth £54,000 and Bristol £49,000.
- Legacy received from the estate of Mrs B J Morris, deceased, for the provision of veterinary equipment and van in Kent.
- An urban development grant towards the PetAid hospital at Belfast from the Department of Social Development, Northern Ireland. The grant will be released to the General Fund over the economic life of the PetAid hospital.
- Donation received from Stiftung zur Forderung der Tierschutzes for building Liverpool Kirkdale PetAid hospital, The Jeanne Marchig Centre, to be written off over the life of the PetAid hospital.
- Donations received regarding the Sunderland PetAid hospital, The Reay Hudson Centre, will be released over the life of the asset.
- Donations received regarding the Glasgow (Shamrock Street) PetAid hospital appeal, will be released over the life of the asset.
- Donations received regarding the Llanelli PetAid branch appeal will be released over the life of the branch.
- Donations received regarding the Digital x-ray appeal, which will be released over the life of assets purchased at varying locations.
- Plymouth PetAid hospital, The Gwen Rees Centre, which will be released over the life of the PetAid hospital.
- Donations received for an operating table at Wolverhampton PetAid hospital, to be released over the life of the asset.
- Cardiff PetAid hospital appeal donations have yet to be expended.
- Birmingham (Quinton) PetAid hospital appeal donations have yet to be expended.
- National PetAid hospital Capital Appeal donations have been transferred to the Plymouth PetAid hospital appeal.
- Donation received from the Stainer Foundation for PetAid services at Southampton has yet to be expended.
- Donations received for Dundee PetAid hospital floor refurbishment, to be released over the life of the asset.
- Donation received for Glasgow East PetAid hospital refurbishment, to be released over the life of the asset.
- Donation received for Bedfordshire PetAid services costs.
- Donation received for Sheffield PetAid branch capital costs to be released over the life of the asset.
- Miscellaneous restricted donations received that are less than £10,000 are shown here in aggregate.

## 15. Related parties

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

## 16. Capital commitments

	£'000	
Group and charity	2012	2011
<b>Purchase of tangible fixed assets authorised but not contracted</b>	<b>4,489</b>	4,835

# 17. Operating lease commitments

## Group and charity

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

	£'000	
	2012	2011
<b>Leases that expire</b>		
Within one year	978	1,037
Within two to five years	1,735	1,561
After more than five years	1,109	1,287
	<b>3,822</b>	<b>3,885</b>

# 18. Charity and subsidiary undertakings

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

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

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

A summary of the charity-only results is shown below:

	2012	2011
Total incoming resources	86,492	85,305
Net movement in funds	(6,879)	(8,625)

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

For the year ended 31 December	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2012	2011	2012	2011	2012	2011
Turnover	11,077	10,390	-	-	7,590	5,933
Cost of sales	(2,718)	(3,118)	-	-	(5,841)	(4,345)
Gross profit	8,359	7,272	-	-	1,749	1,588
Administration expenses	(5,797)	(4,834)	(2)	(3)	(257)	(209)
Operating profit/(loss)	2,562	2,438	(2)	(3)	1,492	1,379
Interest received	2	1	-	-	2	2
Gifted to The People's Dispensary for Sick Animals	(2,563)	(2,439)	-	-	(1,494)	(1,381)
<b>Retained loss</b>	<b>1</b>	<b>-</b>	<b>(2)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>

Aggregate of the assets and liabilities:

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2012	2011	2012	2011	2012	2011
Assets	1,928	1,710	21	22	2,210	1,758
Liabilities	(1,921)	(1,703)	(29)	(28)	(2,210)	(1,758)
<b>Net assets/(liabilities)</b>	<b>7</b>	<b>7</b>	<b>(8)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>

# 19. Defined benefit pension scheme

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

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

An independent qualified actuary has calculated the scheme liabilities from data provided by the scheme administrators for the triennial actuarial valuation at 31 December 2011. The Trustees are satisfied this is suitable for use as at 31 December 2012.

## Amounts for the current and previous four periods

	<b>£millions</b>				
	2012	2011	2010	2009	2008
Defined benefit obligation	(92.2)	(78.8)	(71.6)	(62.2)	(50.3)
Scheme assets	83.1	76.5	69.5	60.7	50.4
(Deficit)/surplus	(9.1)	(2.3)	(2.1)	(1.5)	0.1
Experience gain on scheme liabilities	0.3	1.5	1.7	1.7	-
Experience gain/(loss) on scheme assets	1.1	1.1	2.9	3.9	(9.1)

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

	2012	2011
Discount rate	4.50%	4.85%
Expected return on scheme assets (for the following year)	4.72%	4.97%
Future salary increases	2.75%	2.50%
Future value of pensions in deferment (RPI)	3.00%	2.75%
Future value of pensions in deferment (CPI)	2.30%	2.25%
Average rate of increase in pensions (5% LPI)	2.90%	2.75%
Average rate of increase in pensions (2.5% LPI)	2.00%	2.50%
Mortality assumptions (actuarial tables used)	SIPA year of birth tables with CMI projections and 1.00% long-term trend rate	SIPA year of birth tables with CMI projections and 0.75% long-term trend rate
Average expected future life at age 65 for:		
Male currently aged 65	22.2	21.7
Female currently aged 65	24.4	23.6
Male currently aged 45	23.5	22.7
Female currently aged 45	25.9	24.8

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

## Assets and liabilities of the scheme

	2012		2011	
	Expected return		Expected return	
Corporate bonds	4.50%	6.6	4.85%	6.1
Gilts	3.00%	34.2	2.95%	31.1
Equities and property	6.50%	39.9	6.95%	37.2
Cash	0.50%	2.4	0.50%	2.1
Fair value of scheme assets		83.1		76.5
Present value of funded obligations		(92.2)		(78.8)
Deficit		(9.1)		(2.3)
Related deferred tax (liability)/asset		no allowance		no allowance
<b>Net pension liability</b>		<b>(9.1)</b>		<b>(2.3)</b>

# 19. Defined benefit pension scheme

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

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

	<b>£millions</b>	
	<b>2012</b>	2011
Opening defined benefit obligation	<b>78.8</b>	71.6
Service cost	<b>2.9</b>	1.9
Past service cost	<b>(1.1)</b>	(1.3)
Contributions by scheme participants	<b>0.2</b>	0.8
Interest on scheme liabilities	<b>3.8</b>	3.9
Actuarial losses	<b>9.6</b>	4.0
Benefits paid	<b>(2.0)</b>	(2.1)
<b>Closing defined benefit obligation</b>	<b>92.2</b>	78.8

## Changes in the fair value of scheme assets

	<b>2012</b>	2011
Opening value of the scheme's assets	<b>76.5</b>	69.5
Expected return	<b>3.1</b>	3.4
Actuarial gains	<b>1.1</b>	1.1
Contributions by employer to the scheme	<b>3.4</b>	3.0
Contributions by employer to the escrow account	<b>0.8</b>	0.8
Contributions by scheme participants	<b>0.2</b>	0.8
Benefits paid	<b>(2.0)</b>	(2.1)
<b>Closing fair value of the scheme assets</b>	<b>83.1</b>	76.5

	<b>2012</b>	2011
<b>The actual return on the scheme's assets was</b>	<b>4.2</b>	4.5

The charity expects to pay £3.6 million covering future benefit accrual, deficit contributions and expenses to the defined benefit pension scheme in the next financial year.

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

	<b>2012</b>	2011
Service cost	<b>2.9</b>	1.9
Past service cost	<b>(1.1)</b>	(1.3)
Interest on obligation	<b>3.8</b>	3.9
Expected return on scheme assets	<b>(3.1)</b>	(3.4)
<b>Amounts included within resources expended</b>	<b>2.5</b>	1.1
Actuarial losses on the defined benefit obligation	<b>9.6</b>	4.0
Actuarial gains on the scheme assets	<b>(1.1)</b>	(1.1)
	<b>8.5</b>	2.9
<b>Total</b>	<b>11.0</b>	4.0
<b>Cumulative actuarial losses</b>	<b>24.4</b>	15.9

# Administrative details

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

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

### Head Office

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

### Patron

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

### Bankers

Lloyds TSB Bank plc, 125 Colmore Row, Birmingham B3 2DS

### Investment Managers

Newton Investment Management Limited, Mellon Financial Centre,  
160 Queen Victoria Street, London EC4V 4LA

Standard Life Investments, 1 George Street, Edinburgh EH 2 2LL

### External Auditor

Deloitte LLP, 3 Rivergate, Temple Quay, Bristol BS1 6GD

### Actuaries

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

### Solicitors

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



Photograph – Hugo Burnand

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

### Executive Staff

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

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

# A healthy life for all our pets

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

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

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

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