



pdsa
SAVING PETS CHANGING LIVES

**Annual Trustees' Report
and Accounts 2018**

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Chair's Letter

PDSA is more than 100 years old. We exist to provide compassionate vet care for those in need; we're here for the person and their pet, as a family. We've come a long way since being founded in 1917 by social worker and animal welfare pioneer Maria Dickin CBE in London. In that time, we've provided over 100 million treatments to more than 20 million pets.

We save pets and change lives, every single day. The dedication of our vets, nurses, staff, volunteers and supporters has enabled us to be there for over 600,000 pet owners this year. I'd like to take this opportunity to thank them for their support.

I'm delighted to report that in 2018 donations and income exceeded £108 million, our highest ever. We ended the year with a net income of nearly £10 million. This was above our expectations and puts us in a great position to invest in our charitable services. The biggest factors in this success were higher legacy income, pleasing growth in donations and income from treatments, alongside further valued support from the players of People's Postcode Lottery. Our network of 121 charity shops saw year-on-year sales growth and contributed a surplus of more than £2 million.

As a funding-led charity, we seek to raise the money for substantial projects ahead of committing to the expenditure. Our 2018 fundraising included capital appeals that brought more than £3 million for investment in new Pet Hospitals over the next two years.

Some highlights of the year included PDSA's TV series on Channel 4, *The People's Vet*. Set in two of our Merseyside Pet Hospitals, it's a heart-warming series capturing the love and emotional bond between pets and their owners; showcasing the impact our work has on the lives of the people who rely on us. In 2018 we staged our first ever mass public event, bringing together thousands of pet lovers and music fans.

Our *PetLife '18* festival was dubbed the UK's biggest dog-friendly music festival with thousands of families enjoying a day out.

At the end of our centenary year we commemorated the 75th anniversary of the prestigious *PDSA Dickin Medal* at the Imperial War Museum, London, with a special exhibition highlighting the brave animals that have received this coveted award.

Looking forward to 2019 we are building and opening our new PDSA Pet Wellbeing Centre in Manchester; moving to where the need for our services is greatest to maximise the public benefit that we deliver. The new Pet Wellbeing Centre has been supported by a significant gift from the Montague-Panton Animal Welfare Trust. Our role in the Manchester community is also growing through a new initiative helping homeless dog owners keep their pets well, thanks to the financial backing of a PDSA supporter.

Through our 48 Pet Hospitals across the UK, we provide veterinary care to hundreds of thousands of sick and injured pets - care that their owners simply can't afford. We have a huge impact on pet wellbeing and the quality of life for the most disadvantaged people in our society. I hope you enjoy reading about our achievements in our 2018 Annual Review.

John Smith



John Smith,
Chair

"We save pets and change lives, every single day. The dedication of our vets, staff, volunteers and supporters has ensured a successful 2018."

Director General's Letter

Celebrations and successes throughout 2018 made it an incredible year for PDSA. But, we couldn't have achieved what we did without our wonderful colleagues, supporters, volunteers, donors and partners. They are the lifeblood of PDSA and make it possible for us to treat the sick and injured pets of those who need us most.



"A key focus for 2019 is to make PDSA better known, loved and understood."

As I look back on our centenary year, I feel a great sense of pride and achievement. This milestone anniversary provided us with revitalised energy to continue our mission to improve the life of every pet and look at what we still need to do.

Opening our first dedicated Pet Wellbeing Centre in Manchester later in 2019 is a landmark in our plans to increase our public benefit in communities where we're needed most. We want to provide the best possible pet wellbeing outcomes for people in need, in the most cost-effective way, so we can reach and help more pets and their owners.

Today, only 1 in 8 pet owners in need can easily access our services. Building our online guidance and help, and developing our digital services, will enable us to reach more people and their pets.

A focus for 2019 is to make PDSA better known, loved and understood. Key to this will be our presence at well-established events that are filled with pet-owners and families.

We will be taking our pet wellbeing expertise to events such as Countryfile Live, Dog Fest and National Pet Show. We saw from our own *PetLife '18* festival that events offer a great way to engage many thousands of people with PDSA.

Our vision is a lifetime of wellbeing for every pet. We track our progress on pet wellbeing through the annual *PDSA Animal Wellbeing (PAW) Report*, which measures the health of the nation's pets. The PAW Report is structured around the 5 Welfare Needs of the Animal Welfare Acts.

In our 2018 Annual Review we'll show how, as an organisation, we are reliant on our own set of welfare needs to ensure the wellbeing of the charity. Covering our **"behaviour"** outlining what we do, our **"environment"** providing an insight into our Pet Hospitals and who we help, **"companionship"** which is the people around us, **"diet"** is what we need to survive and how investing in our organisational capability supports our **"health"**.

I hope you enjoy reading more about our 2018 achievements and how we intend to realise our goals as we embark on the next 100 years.

Jan McLoughlin,
Director General



Annual Review

Within sections one to five of this report we will be covering the organisation's objectives, activities, achievements and performance. 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.

PDSA's Year in Numbers





Behaviour

What we do

1. BEHAVIOUR - What we do



Animal Welfare Need #1: BEHAVIOUR

The freedom for pets to behave naturally.

Every day, across our Pet Hospitals, community outreach and education programmes, hundreds of our staff and volunteers work tirelessly to provide compassionate vet care for those in need. This is our “behaviour”, what we do, naturally.

Our aim is to achieve the best pet wellbeing outcomes by helping more pets and owners in need. Our focus on education and prevention will support millions of people to better care for their pets. And we’ll be there, providing face-to-face and remote vet treatment to those in hardship, wherever they are in the UK.

We strive to **prevent** illness, suffering and unnecessary death of pets; to **educate** people about the welfare needs and value of pets in society; and to **treat** sick and injured pets within vulnerable communities across the UK. This is underpinned by the **support** we give to pet owners – recognising the unique bond and valued companionship a pet provides and the importance of this to those people most in need.

They’re a source of comfort, a listening ear, a warm welcome home, and a best friend that will always be there, no matter what. To some, they are a person’s only, much-needed companion. Don’t we owe it to them, at the very least, to give back what they give to us in abundance?

Without PDSA the poorest and most disadvantaged in our society could not afford to care for their sick or injured pet, leading to unnecessary animal suffering and the human anxiety this creates.

Our work is organised by:

- P**revent
- E**ducate
- T**reat
- S**upport

Pets do so much to enrich our lives. They complete our families; provide unconditional love and expect nothing in return.



PDSA’s Strategic Objectives

Our purpose

We exist to provide compassionate vet care for those who can’t afford it. We’re here for the person and their pet, as a family. The outcome of our purpose is reflected in our strapline: *Saving pets, changing lives.*

01.

Provide the best possible pet wellbeing outcomes for people in need in the most cost-effective way, so we can reach and help more pets and their owners.

02.

Make PDSA better known, loved and understood to build understanding of what we do and the role we play in the lives of the poorest people in our society.

03.

Increase support to raise the funds we need to grow our income. We rely on donations from pet lovers across the UK to fund the care we provide to those most in need.

04.

Ensure we have the organisational capability we need to achieve our objectives and increase our public benefit, investing in our people, processes, equipment and technology.

We believe that...

Healthy pets make our world a better place

Pets enrich our lives and our wellbeing. As well as giving us companionship, their service to humankind strengthens our communities. That’s why the special bond between pets and owners must be protected.

Pet care should not be a privilege

All pets deserve a happy and healthy life. They should not be denied the care they need because their owners can’t afford it.

True care is unquestioning

The best way to help people is not to judge them, but to understand their unique circumstances and show them how to better care for their pets.

Our strategies bring to life how we will achieve our charitable objects, as described in the two Acts of Parliament (1949 and 1956) and the Parliamentary Scheme 2015 that govern PDSA. These define our objects as:

- (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.



“The new PetWise vehicle allows PDSA to take preventive services, such as vaccination clinics, into communities to help owners who cannot easily access our Pet Hospitals.”

How we prevent illness and suffering

We know that owners who aren't aware of their pets' 5 Welfare Needs: **behaviour, environment, companionship, diet and health**, are less likely to provide the lifesaving preventive care their pets require.

Preventive care, including neutering and vaccinating, is key to preventing illness and unnecessary suffering in pets. Unneutered pets are at risk of potentially fatal diseases such as a womb infection (pyometra), uterine cancer for females and testicular cancer and prostate problems in males. Vaccinating pets helps to protect against infectious diseases, which can be fatal, including parvovirus and leptospirosis in dogs, feline leukaemia and cat flu in cats and myxomatosis and viral haemorrhagic disease in rabbits.

Encouraging preventive treatments

If pets aren't registered with a vet it could mean that potential problems are not found early enough to treat them effectively.

To help tackle this issue PDSA has taken PetWise on Tour. This is our mobile pet wellbeing service, touring the UK each year, offering different services within communities. Demand for PetWise on Tour is high, with more funding we could reach more pets.

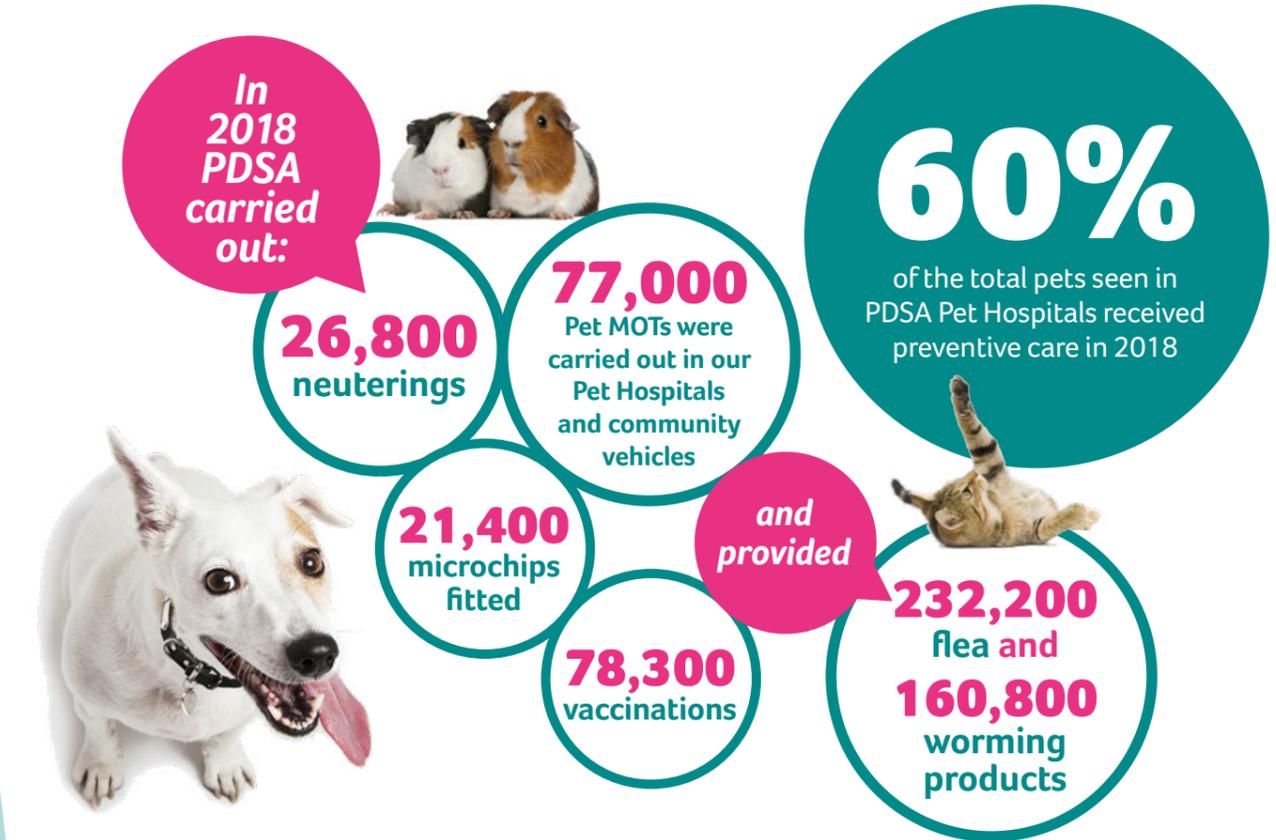
In 2018, with kind support from players of People's Postcode Lottery, we've had the privilege to custom design and build our £250,000 PetWise Mobile Unit, adding to the existing two PetWise vehicles (kindly donated by PDSA supporter Robert Breckman in memory of his wife Julie). This has enabled us to expand the numbers of pets and owners we can help.

This new unit allows PDSA to take preventive services, such as vaccination clinics, into communities to help owners who cannot easily access our Pet Hospitals.

Our PetWise vehicles enable us to take our expertise to people who may not be able to access the services of a vet. We can then encourage them to seek ongoing support from their local vet team. We've visited over 150 locations from local events at housing associations, public parks and supermarkets to national events such as Discover Dogs, helping many thousands of pet owners understand how to better care for their pets.

Impacts

- Helping owners decide whether their pet needs to see a vet
- Increasing the knowledge of owners will improve the care given to their pets
- Improving owners' peace of mind
- Reducing unnecessary animal suffering



Educating current and future pet owners

PDSA educated 1.5 million current and future pet owners through our digital and face-to-face educational activity in 2018. Alongside our Pet Hospital teams, we have six Veterinary Nurses who deliver our schools and community education programmes. During 2019 we aim to strengthen this team by adding volunteers, helping us reach more people.

Our education workshops are delivered in a variety of settings to a range of audiences.

Topics include:

- **Get PetWise** - provides an overview of what pets need to be healthy and happy. Based on the care of cats, dogs and rabbits, it teaches the audience how to be responsible pet owners.
- **Get set for the right pet** - covers the costs associated with owning pets. The talks have a maths focus for appropriate ages and encourages the audience to make an informed decision when choosing a pet.

- **Canine Communications** - identifies how to recognise what dogs are telling us through their body language and how to stay safe around dogs.
- **Animal Heroes** - looks at the brave and heroic acts of animals from wartime to today. There is a focus on PDSA's prestigious Animal Awards programme and its animal recipients.
- **In the Pet Hospital** - a unique experience of what happens in a PDSA Pet Hospital brought to life. It follows one of our patients through their treatment programme. Different careers within the Pet Hospital are introduced and the qualifications required to pursue a veterinary career are identified.

Education sessions are also held at **KidZania** - an indoor city, run by kids, located in Westfield shopping centre, London. Designed for children aged 4 to 14, KidZania blends learning and reality with entertainment. PDSA has had a presence at KidZania since 2017. In 2018 almost 32,000 children visited the 'Pet Wellbeing Centre' at KidZania to learn how to identify and address animal welfare needs.

A goal in 2017 was to develop a new education support package called PetWise School Award. This was launched in 2018 and involves National Curriculum-linked sessions. In 2019, through PDSA's education programme, we aim to ensure the next generation grow up as informed and caring pet owners.

Our education and community programmes include:

PetWise School Award	A bronze/silver/gold award for schools and uniform groups. The National Curriculum-linked sessions educate the next generation of pet owners on how best to care for their pet's 5 Welfare Needs.
Pet Protector Membership	For children who want to be vets, or just love pets. A fun, engaging, informative magazine to support us in getting the nation PetWise.
Pet First Aid	A step-by-step guide for pet owners on what to do in an emergency situation, which has led to lives being saved.
Pet MOT	Delivered on our PetWise vehicles and in our Pet Hospitals. The MOTs support the public in understanding the 5 Welfare Needs of their pets and highlighting any health concerns.
PetWise Mobile Unit	An extension of our community tour, increasing our ability to reach more pets and owners. Making it convenient for them to benefit from our advice and expertise in their local area.
Pet Health Hub	Provides pet owners with reliable easy to understand, expert veterinary advice and information - available through our website.
Community Talks & Events	We give talks to dog wardens, WI, emergency service providers (Fire, Police and NHS) and attend community events to help PDSA to be better known, loved and understood.

Pet Health Hub

As not all pet owners can easily get to a vet, people will inevitably 'Google' their pets' symptoms or conditions. Therefore, it is vital that they find trusted, expert advice and we aim to provide exactly this.

Thanks to funding from players of People's Postcode Lottery, we have set up a new Pet Health Hub – an online pet health information resource that we hope, in time, will become as important for animal health as NHS Choices is for human health. The full launch will take place in 2019.

We'd love to help every pet in need but as a veterinary charity with limited resources it's an impossible task. However, the Pet Health Hub means we can share our expertise and advice with millions more people, and make a huge difference to pets and their owners.

Impacts

PDSA's education and community programmes have increased owner knowledge, improved animal welfare and reduced suffering.

- 99% said that the Pet Health Hub helped them care for their pet
- 94% said they had learned something new from the Pet Health Hub
- 86% said the page helped prevent their pet from suffering

In 2018 almost
27,000
people registered
for PDSA's Pet First
Aid guide.

A pet owner saved her puppy's life after he almost choked to death on a plastic toy – using first aid skills she had learned on a PDSA course just a week before.

Janice says her Springer Spaniel crossbreed, Milton, is alive today thanks to the training she received during a pet first aid course run by our community and education team.

She said, "Milton had somehow got hold of one of my grandson's action figure toys and was choking on it.

"I could see that he was struggling to breathe but I didn't panic and remembered the skills I had learned on the PDSA course. I tried to see if I could pull the toy out from his mouth but I couldn't, so I used a technique which is like an animal equivalent of the Heimlich manoeuvre - and it just popped out."

Kylie Jones, PDSA Vet Nurse who taught Janice, said Milton's case proved why it was important for people to learn basic pet first aid skills:

"Life-threatening emergencies can occur at any time and require speedy action, so it's important to know what to do in a situation like this. Many people have a basic understanding of first aid for humans but when it comes to pets, a lot of people wouldn't know what to do.

"Knowing how to respond in an emergency, and being prepared, can make the difference between life and death."

"Knowing how to respond in an emergency, and being prepared, can make the difference between life and death."
Janice, pet owner

Pet First Aid Case Study



Treating the sick and injured pets of those in need

We provide 2.5 million veterinary treatments a year across all of PDSA's services and save an average of 232 pets' lives a day in our Pet Hospitals.

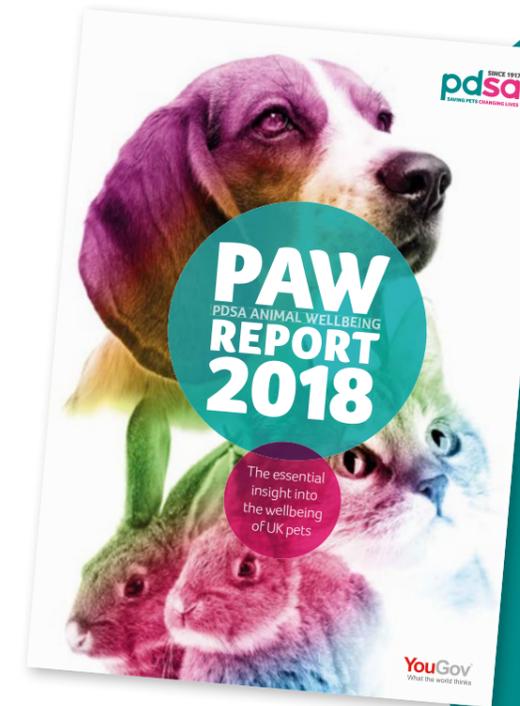
The majority of treatments are carried out in our Pet Hospitals, which are very busy environments. This is where the core of our work takes place and where a lot of our support to worried pet owners is given.

From treating a pet in an emergency to providing on-going treatment for a chronic condition – we have over 100 years' experience. In 2018, nearly half a million pets were seen by PDSA vets and nurses.

In 2019, we will be investing further in centralised call handling and online appointment booking to help pet owners who need to visit a Pet Hospital, making our appointment booking simpler and more efficient.

Impacts of treatment

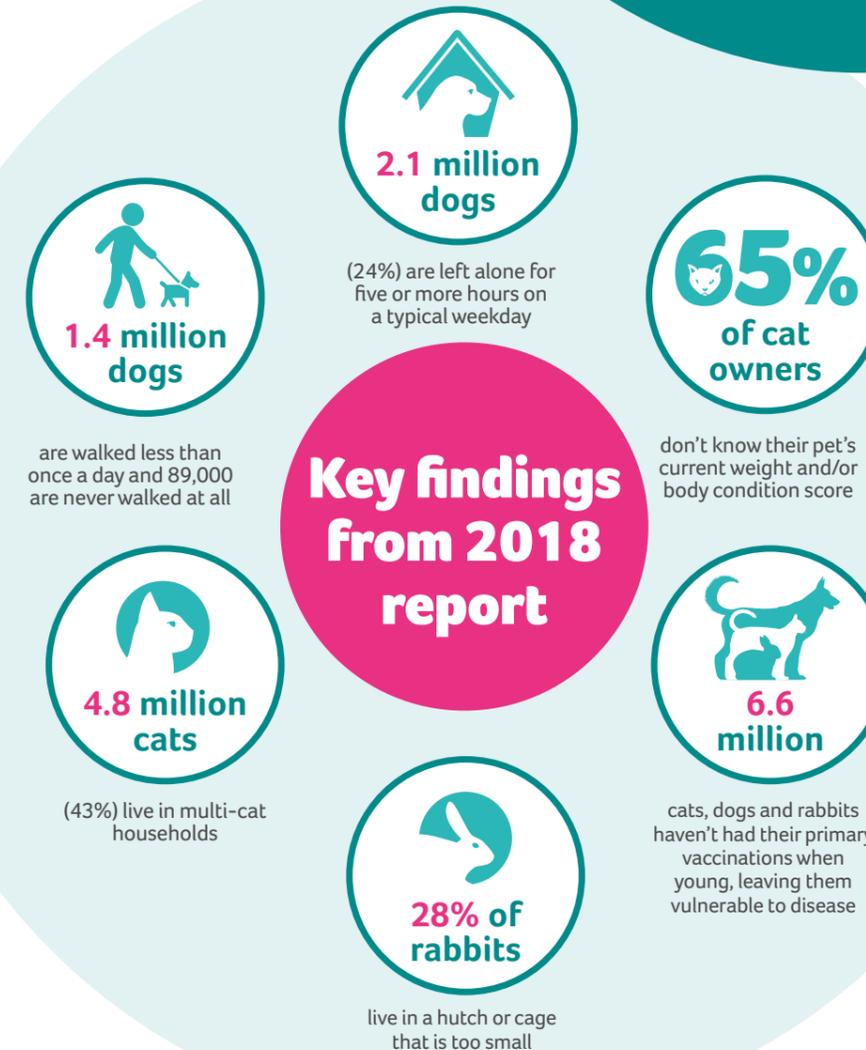
- An average of 232 pets' lives saved each day across our Pet Hospitals
- Relief of pain and suffering
- Injuries repaired
- Pets lead happier, healthier lives as chronic conditions can be well managed
- Owners and pets kept together for longer – reducing owner's stress and concerns



PAW Report

The PDSA Animal Wellbeing (PAW) Report was created to be the most rigorous and in-depth assessment of the wellbeing of our nation's pets. The 2018 report was, once again, structured around owners' knowledge and application of the Animal Welfare Acts 2006 (2011 in Northern Ireland) and the 5 Welfare Needs that are enshrined within them. While there are improvements to celebrate since our first report in 2011, there is still much work to do. The findings of the PAW Report continue to provide a valuable insight into the wellbeing of our nation's pets and highlight the many areas that still require improvement.

We provide
2.5m
veterinary treatments
a year.



Results from our PAW Report provide a focus for our work; where we should be campaigning and what educational initiatives are needed to improve pet wellbeing, where we can make the biggest difference.

A woman with dark hair, wearing a teal lab coat, is using a stethoscope to examine a small, dark-colored dog with white markings on its chest. The dog is sitting on a dark surface, and the woman is leaning over it, looking down with a focused expression. The background is a plain, light-colored wall.

Treatment Case Study

Sky, the Staffordshire Bull Terrier, was rushed to PDSA at death's door and needed urgent life-saving surgery after the charity's vets found her infected womb weighed 2.5kg (5.5lb), equivalent to nearly three bags of sugar.

Pyometra, known as the 'creeping killer' can strike without warning in unneutered female dogs and unfortunately many pet owners are completely unaware of the danger. But, it can easily be prevented by a routine neutering operation.

PDSA Vet Nurse, Claire Allen, said: "Sky's critical condition meant we had to act fast. Her womb had ballooned in size and we knew time was of the essence. Even some of our most experienced vets hadn't seen an infection of this size in such a little dog.

"It was touch-and-go for a while. Her heart rate dropped dangerously low twice during surgery and she required adrenaline to keep her alive. There was a real threat she wasn't going to make it."

After intricate surgery and very close monitoring from our dedicated vets and vet nurses, Sky was stable enough to recover at home.

"The team at PDSA were absolutely fantastic and I cannot thank them enough for saving Sky's life. If it wasn't for them, I dread to think what the outcome would have been."

Sky's owner, Kirsty



Environment

About our Pet Hospitals
and who we help

2. ENVIRONMENT

About our Pet Hospitals and who we help



Animal Welfare Need #2: ENVIRONMENT

Pets need a suitable environment. This should include the right type of housing with a comfortable place to rest and hide, as well as appropriate space to exercise and explore.

At PDSA our “environment” consists of a network of 48 Pet Hospitals. These are situated across the UK in towns and cities where deprivation levels are highest and the need for our charitable service is greatest. Through our Pet Hospitals, PetWise Vehicles and PDSA Pet Care, we look after nearly half a million pets a year.

PDSA is a registered charity in Scotland where we have five Pet Hospitals and help 42,000 pets. It costs £4.9 million to run our services in Scotland.

In Northern Ireland we have one Pet Hospital and a Pet Clinic in Belfast and help more than 9,000 pets. It costs £1.1 million to run our services in Northern Ireland.



Who we help

We believe that no pet should suffer because their owner can't afford the care they need. We offer free and low cost treatments to those in the catchment area of our 48 Pet Hospitals and who match the following criteria:

Free service (one free pet) in receipt of one or more of:	Low cost service (for any number of pets) in receipt of one or more of:
Housing Benefit	State-retired pensioners who are householders in Council Tax band A-D
	Child Tax or Working Tax Credits
	Pension Credit
Council Tax Benefit/reduction scheme	Income Support
	Employment & Support Allowance (ESA)
	Disability Living Allowance/Personal Independent Payment (PIP)
Universal Credit with a housing element	Job Seeker's Allowance
	Universal Credit (without housing element)
	Eligible owners with more than one pet are able to register additional animals for our low cost service

From 2017 we were able to support more pet owners by introducing low cost veterinary services across all PDSA's Pet Hospitals. In 2018 300,000 pets were supported by PDSA's free services and 107,000 pets through our low cost services, within our Pet Hospitals.

Preventive treatments (i.e. microchips and vaccinations) are charged at affordable prices for all clients. There is no charge for consultations, operations and medication to those who qualify for free treatments. Although, many of these owners do choose to make a donation as a contribution towards the costs.

Pets receiving low cost treatment now make up approximately 1 in 5 of all pets seen for treatment services and this is continuing to rise.

Expanding our reach

At the start of 2018 we launched two new schemes; PDSA Pet Care and Chronic Voucher Scheme.

As per our 2017 goal to roll out the scheme, PDSA Pet Care is now offered in 390 postcode areas across the UK for people who were previously registered with the PDSA Pet Practice Service. It offers pet owners, for £4.50 per month, a range of benefits - including 20% off treatment costs, a free vaccination course or booster, plus a free consultation and pet MOT.

The Chronic Voucher Scheme allows those whose pets have lifelong conditions access up to £300 worth of vouchers per year. This helps towards the cost of their pet's treatment at a private vet practice.

There have been more than 3,500 applications for the PDSA Pet Care scheme since it began and we have helped over 800 clients with vouchers towards their pet's ongoing treatment.

In 2019 we plan to help even more people and their pets by increasing the availability of PDSA Pet Care to a further 100 locations.

Even with our best efforts we can only reach and help around 1 in 8 of those who could qualify for our free or low cost care. We want to be there for all those who need us and in 2019 we will be expanding our current services and investing in our online help and advice.

PDSA has been able to make a difference in 2018 thanks to £1.9 million funding from players of People's Postcode Lottery, which made a significant contribution towards our treatment services.

WHERE WE WERE:

In 2017 we covered 1,220 of the most deprived postcode areas through our Pet Hospital service.

WHERE WE ARE:

In 2018 we covered 1,610 postcode areas through the Pet Hospital Service and PDSA Pet Care.

WHERE WE WANT TO BE:

Covering 1,900 postcode areas.



Manchester capital appeal

In 2017 we launched our Manchester capital appeal as we needed to raise £2.4 million to build a replacement hospital for Manchester's pets.

Thanks to our supporters and a generous gift of £835,000 from the Montague-Panton Animal Welfare Trust we have reached this target for our new Manchester Pet Wellbeing Centre, which is due to open autumn 2019. To recognise the generosity of the Trust, the new centre will be named the 'Manchester PDSA Pet Wellbeing Centre, The Montague-Panton Hospital'.

PDSA has had a presence in Manchester for 90 years and we have been in our current premises in Old Trafford since 1973. But it's no longer able to cope with demand; a purpose built, larger modern facility is urgently needed. In order to help as many pets and people as possible, we're opening this new 21st Century centre in Gorton, where we have identified the greatest need.

Our Pet Wellbeing Centre will also contain our first ever dedicated 'wellbeing' facility to help the local community provide everything their pets need to be happy and healthy and encourage them to be PetWise.

Our service in Manchester costs over £1.3 million to deliver annually and we rely entirely on public support for funding.

Retail

PDSA has 121 high street shops throughout the UK, as well as one donation centre, a fulfilment centre and a growing digital presence on eBay and our own online shop.

Through our shops and centres, we are able to engage with communities across the country, raising our profile, engagement and income.

We had planned to open three new charity shops in 2018, however, due to limited resources this has been delayed.

Our goal for 2019 involves an ambitious plan to expand the retail estate, opening up to six new shops, developing a new format and new look. In 2019, we will also see our first pet supply shop within a hospital at our new Pet Wellbeing Centre, in Manchester.

PDSA shops help to provide visibility to our cause and offer people an easy and accessible way to support us. They are vital to our financial health.

Our service in Manchester costs over **£1.3m** to deliver annually



Communicating what we do to win support

Aim: To be better known, loved and understood. We'll invest in building public understanding of our impact and the need we serve, informing the general public, engaging pet owners and winning the attention of new supporters and donors. We'll turn this understanding into support by inspiring people with our charitable work, to strengthen their relationship with us. We need to be valued by the public for the difference we make.

TV series

PDSA on TV – making us better known, loved and understood.

In 2018, Channel 4 broadcast 12 episodes of The People's Vet – a new series showing PDSA in action. Set in our two Merseyside Pet Hospitals - Huyton PDSA Pet Hospital, The Thomas Williams Centre and Kirkdale PDSA Pet Hospital, The Jeanne Marchig Centre, it is a heart-warming series which captures the love and emotional bond between pets and their owners.

It reveals the skills and dedication of PDSA vets, nurses and support staff as they cope with the never-ending demand for our charitable care. It gives viewers the opportunity to see our front-line services in action, and the impact we have on those most in need.



The programme was great for engagement. Our first supporter email about the show achieved **50%** higher than average opening rate and more than double the standard 'click through' rate.

Social media posts about the show also performed strongly and attracted positive engagement.

The show helped us generate lots of news coverage: more than 50 news articles appeared in the media (including 14 national) along with local radio interviews and features in regional press and pet magazines.

More than 30 celebrities and social media influencers (with a combined reach of 11 million people) commented or retweeted about the show.

There are eight remaining episodes, scheduled to be shown in 2019.



PDSA Medals and Awards Programme

Our prestigious animal awards programme was instituted by our Founder, Maria Dickin, in 1943 because she wanted to raise the status of animals in society. It continues to allow us to highlight the vital role that animals play in both civilian and military life.

In 2018 we presented medals to honour animals that have saved human lives through acts of valour, alongside those who simply improve someone's life through their unstinting love and devotion.

Our goal is to give more supporters the opportunity to attend our medal events. We plan to hold the presentations in a variety of areas around the country, to enable our fundraisers to engage with valued benefactors.

PDSA Dickin Medal

The PDSA Dickin Medal is the highest award any animal can receive whilst serving in military conflict. It is recognised worldwide as the animals' Victoria Cross.



2018 recipients: Kuga, Chips

PDSA Gold Medal

The PDSA Gold Medal, is the non-military counterpart to the PDSA Dickin Medal and is known as the animals' George Cross. Instituted in 2001, it rewards civilian acts of animal bravery and exceptional devotion to duty.



2018 recipients: Finn, Teddy

PDSA Order of Merit

The PDSA Order of Merit is known as the animals' OBE. It recognises animals that display outstanding devotion to their owner or wider society and represents an exceptional example of the special relationship between animals and humans.



2018 recipients: Mojo, Cracker, Echo

Commemorating 75 years of the PDSA Dickin Medal

Marking the end of our centenary year, we commemorated the 75th anniversary of the PDSA Dickin Medal at the Imperial War Museum, London. The PDSA Dickin Medal is the highest award any animal can receive whilst serving in military conflict. It is recognised worldwide as the animals' Victoria Cross.

To celebrate the occasion we brought together families of past medal recipients, which include dogs, horses, pigeons and a cat. We also invited representatives of the armed forces, along with PDSA donors, supporters, staff and volunteers.

A highlight of the day was an exhibition, bringing to life the rich history of the medal and telling the compelling real life stories behind many of the awards. This exhibition will tour libraries, museums, public buildings and events throughout the UK in coming years, allowing more people to share these stories and learn about the amazing contribution animals make to society.



PetLife – a dog friendly music festival

In a fast-moving and highly competitive charity marketplace, it's vital that we find new and innovative ways to reach fresh audiences in order to tell our story. In 2018 PDSA staged a unique event, bringing together thousands of pet lovers and music fans.

PetLife '18 featured scores of pet-themed attractions including dog agility displays, a dog paddling pool, a chance to meet PDSA animal award recipients, free vet check-ups and guest appearances from many well-known pet lovers.

In the evening, the focus turned to music with The Kaiser Chiefs, Jesse J and The Vamps taking to the stage before rapturous crowds. The event attracted over 6,000 people and nearly 900 dogs.

Our *PetLife'18* festival provided us with an opportunity to test a PDSA owned, large-scale event to promote our brand and attract supporters from new audiences. However, we have concluded that the investment needed to repeat and grow an event of this scale would not be the best use of our resources.

The learnings from *Pet Life '18* have helped structure our future events strategy. We want to reach more people and to reduce our risk and cost of attracting audiences in the numbers required. Instead of hosting our own event, we will take the exciting, interactive PDSA experience to existing, well-established events that already draw in large numbers of pet owners. This will give us access to substantial combined audiences and allow us to focus our investment on our charitable activity.

Some of these events include Crufts, Dog Fest, Countryfile and National Pet Show. Having a presence at these events will help achieve our objectives of making PDSA better known, to help pet owners understand how to care for their pets, and will help acquire new supporters.

Alongside these major events we produced a number of campaigns which put the spotlight on PDSA's vital charitable work. These included the UK's premier pet slimming competition; PDSA Pet Fit Club, our annual search for miracle pets; PDSA Pet Survivor, plus dozens of engaging real-life stories from our Pet Hospitals. These initiatives are included in our plans for 2019.



Companionship

Volunteers, pet owners
and working with others

3. COMPANIONSHIP

Volunteers, pet owners and working with others



Animal Welfare Need #3: COMPANIONSHIP

Pets should be housed with, or apart from, other animals as appropriate for the species.

Like our furry friends, we need “companionship”. We’re a veterinary charity – our people are our backbone. Without our volunteers, staff, supporters and pet owners we simply couldn’t function.

Pet owners

We know that pets enrich our lives and are good for our health and wellbeing. Therefore, people will seek the benefits of companionship a pet provides. At the core of our work is the belief that no pet should suffer because their owner cannot afford the care their pet needs. We see that the people most in need often need a pet the most.

PDSA is there to support pet owners.

People who have been bereaved, are dealing with loneliness, isolation or ill health – be that a physical or mental disability, often rely on the companionship that owning a pet can bring.

A pet can be a person’s only reason to get up in the morning. Knowing that PDSA is there to provide essential care for their pet, to some, means everything.

In 2019, thanks to the generosity of a wonderful supporter, we will be collaborating with the charity, Street Paws, to help pilot a scheme to deliver health checks and preventive treatments to the pets of rough sleepers in Manchester. The initiation will be supported by our PetWise vehicles, alongside our Manchester Pet Hospital, where there is a need for the pet to be referred for surgery or clinical care.

The homeless face great challenges and adversity. They are unlikely to register with a vet or attend a PDSA Pet Hospital. They fear they will be separated from their pet; often their only trusted companion.



Around **3,400** volunteers support us in our shops.

PDSA has around **3,700** active volunteers

Our Pet Hospitals benefit from the help of **162** volunteers

And **160**

volunteers contribute time and expertise to support staff, with our community and education teams, our National Customer Service Centre in Sunderland, at our events or through fundraising groups



“Volunteers enrich our organisation in many ways. They are a highly valued part of the team and are crucial to the future of PDSA.”

Volunteers

Volunteers enrich our organisation in many ways. They are a highly valued part of the team and are crucial to the future of PDSA.

Our volunteers join us for a variety of reasons; some are looking to develop skills and move into paid employment, others value the companionship and social contact, and some are taking part in schemes such as The Duke of Edinburgh’s Award. Together they provide invaluable support for all areas of PDSA. Put simply, we could not provide our service without them.

In 2017 we set a goal to refresh our volunteering programme. This year we recruited a new team and updated our resources and tools to improve the volunteering experience.

One area of volunteering which we will seek to grow in 2019 is winning support from people and businesses willing to fundraise for us. Whether that be through participating in a challenge, using social media to raise money, organising a local fundraising event, or joining a fundraising group.

In 2018 hundreds of people did something special to raise money for PDSA. Their efforts generated more than £88,000 of income. To all the runners, cyclists, walkers, bakers, bucket shakers, organisers and adventure seekers, we thank you.

Lucy

After an accident at work left Susan disabled, she was forced into early retirement. Dogs have provided vital companionship to her ever since. Losing her 13-year-old Border Collie, Sasha, at the start of 2018, left Susan with a huge void in her life.

Puppy, Lucy, is Susan's latest dog and PDSA is here to protect the bond shared by the two of them. Lucy is a very nervous dog, but Susan is devoted to helping her to overcome this.

Recently, Lucy came to PDSA when Susan suspected she had swallowed a battery.

Susan says: "PDSA is a lifeline. Lucy keeps me company and gets me out of the house to go for walks. I wouldn't have a life without a pet and I wouldn't be able to have Lucy if it wasn't for PDSA and knowing they are there to help with veterinary treatment when needed."



Client Case Studies

Waffle

Rescue dog Waffle had a tough start to life on a puppy farm, but is now being trained as a therapy dog for owner Jackie's five-year-old daughter, Scarlett, who has autism.

Jackie says: "Waffle provides emotional support for Scarlett and has boosted her confidence since we got him. He is always at her side when she needs him, and if she gets worked up, stroking him calms her down. They are best friends."

"If it wasn't for PDSA we wouldn't be able to afford vet bills, and that would mean we couldn't have Waffle in our lives. They do a fantastic job."

"If it wasn't for PDSA we wouldn't be able to afford vet bills"

Working with others

Working with others to drive the best results for our four legged friends helps us to have the biggest impact we can on issues affecting the health and wellbeing of our nation's pets. We can't do it all by ourselves, we need engagement and action across the pet sector to address the largest areas of welfare concern. Collaborative working helps us achieve this.

Some of the organisations' we've worked with include:



British Veterinary Association



Pet Advertising Advisory Group (PAAG)



The Links Group



UK Brachycephalic Working Group (BWG)



UK One Health Co-ordination Group



Animal Behaviour and Training Council (ABTC)



Dogs Trust



Kennel Club

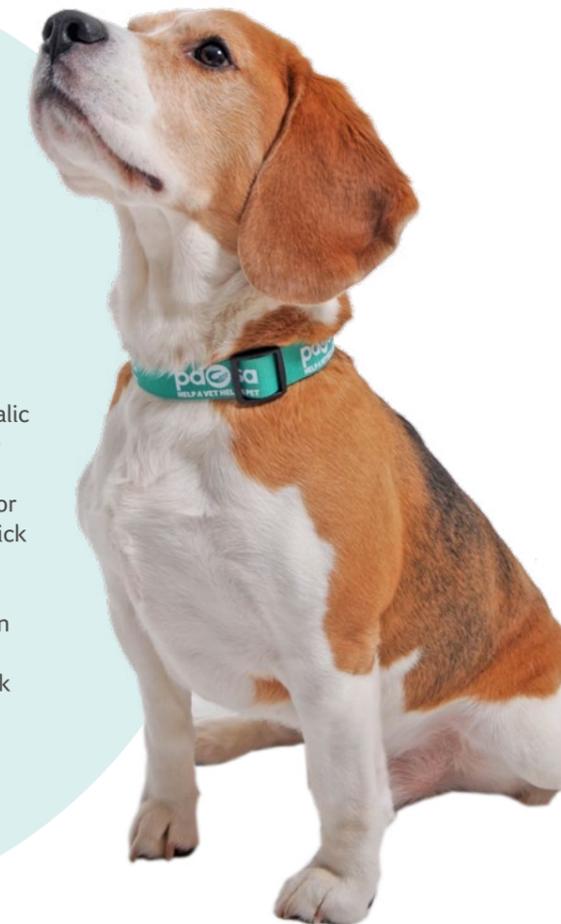


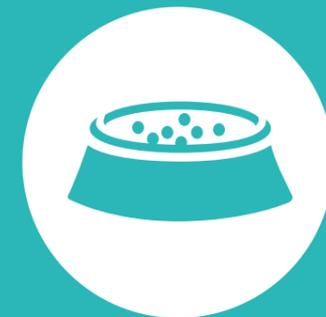
Canine and Feline Sector Group

Companion Animal Welfare Group Wales

Some key achievements of our 2018 collaborative work included:

- Raised awareness of responsible advertising when using pets.
- New Animal Activities Licensing legislation in England was introduced to tighten up regulation around pet breeding, sale and boarding.
- Improving the health and welfare of brachycephalic (flat-faced) dogs. In 2018, PDSA worked with the BWG and Disney to mitigate potential animal welfare harms (for example, increased demand for ownership) linked to the summer 2018 film, Patrick the Pug.
- As a member of the UK One Health Co-ordination Group, PDSA is practising 'One Health' activities through our partnership between PDSA PetCheck and the Salford Health Improvement Team to increase wellness and quality of life screening of pets and people.





Diet

The sustenance we
need to survive

4. DIET

The sustenance we need to survive



Animal Welfare Need #4: DIET

Pets need a suitable diet. This can include feeding appropriately for the pet's life stage and feeding a suitable amount to prevent obesity or malnourishment, as well as access to fresh clean water.

Just as pets need the correct food to survive, we as an organisation need the right "diet" to remain healthy. Without the funds and support we need, we wouldn't survive.

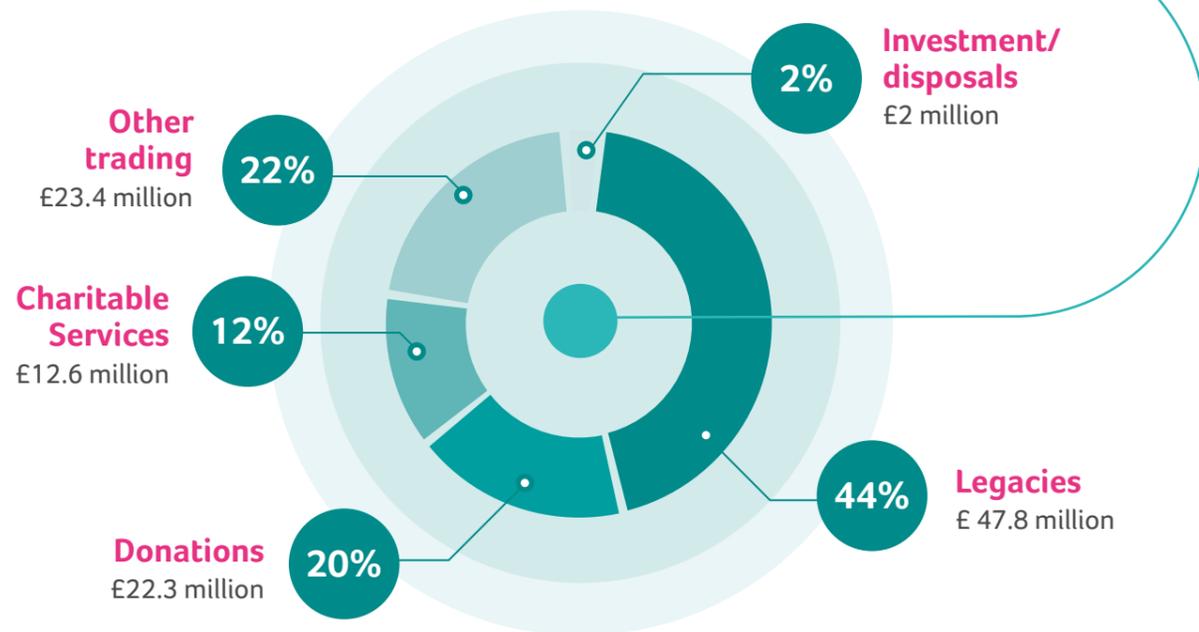
We're delighted to report that we had a nutritious 'diet' in 2018 with income of £108.1million.

With no HM Government funding, PDSA depends on the generosity of the public to fund our work. It costs us £195,000 a day to keep our 48 Pet Hospitals open.

We need to continue to fundraise to ensure we can maintain our vital work. We invest around 15p of every pound we're given to generate future donations.

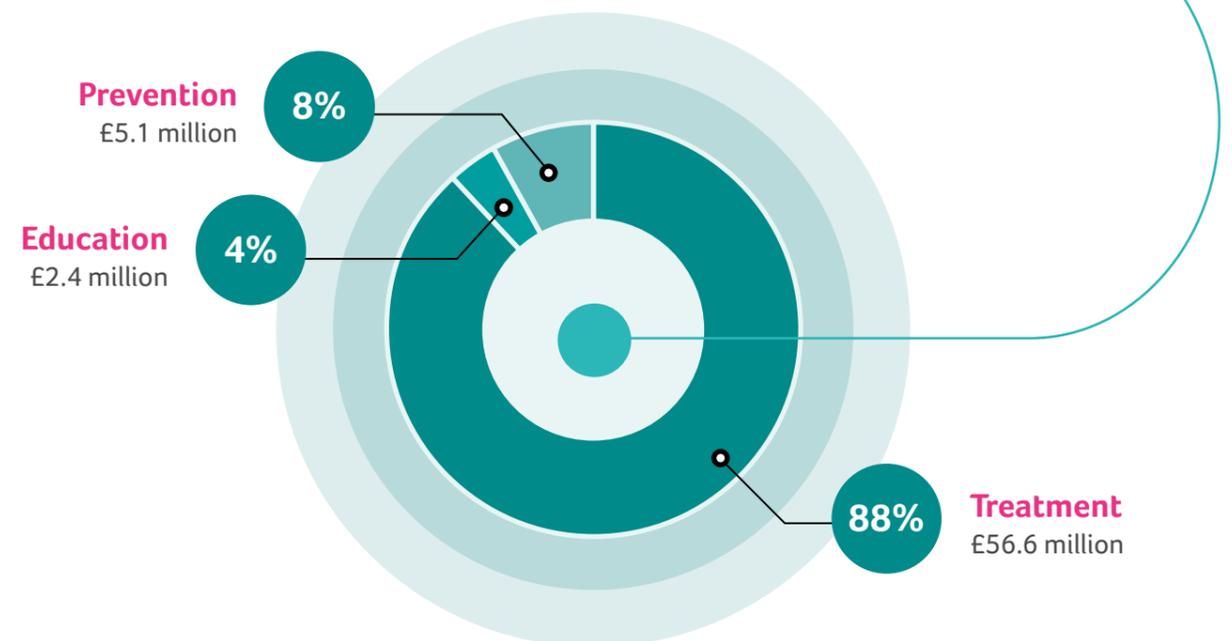


How we raised our money in 2018



Spending on our charitable services

The money available to spend on our charitable activities in 2018 was £76.6 million. During the year we spent £64.1 million on treatment, education and prevention activity.



Fundraising

Aim: To win support and grow income. We'll use our insight, technology and innovations to win and retain the support and understanding of hundreds of thousands of people who choose to donate or contribute to our cause, so that we can reach and help more pets and people in need.

In order to generate the income we need to deliver our services we need to spend on fundraising and marketing to attract supporters and protect future revenue. In 2018, we invested £10.6 million on fundraising to generate donations and legacy income, and £20.8 million across our retail network and trading activities.

Without our supporters PDSA couldn't achieve its charitable purpose. It is imperative that we listen to our supporters and adapt how we communicate and engage with those who fund our work.

PDSA is registered with the Fundraising Regulator and is a member of the Institute of Fundraising and the Direct Marketing Association (DMA).

We are committed to retaining public trust and to achieving high standards in our fundraising activity. We support and comply with both the Fundraising Regulator's Code of Fundraising Practice and the DMA Code of Practice.

We are a large charity supported by hundreds of thousands of people who share our beliefs. Over the last year we had almost 74,000 calls to our National Customer Service Centre, from people with questions about caring for their pet, looking to speak to one of our vets, or support us in our work. Of these calls 83 were to complain about our fundraising.

We seek to learn from every complaint and take action where we need to. We have seen a reduction in fundraising complaints of 41% since 2017, down from 143 complaints.

We need to work hard to earn and retain those who choose to support us. We are privileged to be chosen as one of the charities they care about. In 2019, we will continue to invest in offering a range of ways to make a donation, making it easy and rewarding for our supporters to contribute.

PDSA only works with companies and commercial participators who are demonstrably reputable and whose activities do not have an adverse impact on the charity's objects. We have implemented policies and robust processes to ensure that our fundraising is not intrusive, persistent, does not put any individual under undue pressure and protects the vulnerable.

We work with fundraising agencies who engage the public on our behalf to explain the impact and benefit of our services and ask for their support through regular donations.

We closely monitor the experience our fundraising partners deliver through a programme of mystery shopping and sampling. We only work with agencies who are members of the Institute of Fundraising and comply with the Fundraising Code of Practice and best practice guidance for Public Fundraising, and who have passed the Institute of Fundraising Compliance Directorate's accreditation programme.

Engaging with the public face-to-face helps us to cost-effectively recruit people willing to help fund our charitable work. We recognise public fundraising brings compliance and reputation risks to PDSA. We mitigate these risks by working with a small number of accredited partners within clear controls and policies, monitored by our Audit & Risk Committee.

We want everyone who comes into contact with one of our fundraisers to enjoy a good experience, learn something about PDSA, and whether they choose to donate or not, feel positive about our charity.



Some of our key fundraising highlights for 2018 were:

- Attracting over 13,000 new supporters through our public fundraising.
- Participation in more than 100 challenge events – such as the Virgin Money London Marathon.



Across our social media channels we have almost **355,000** followers

Legacy

Gifts in Wills remain the most valuable way a supporter can donate to PDSA. We rely on the generosity of those who remember us in their Will for more than 40% of our income.

In 2018 PDSA partnered with the National Free Will Network, to offer our supporters a low-cost way to write their Will.

We recognise that making or changing a Will requires careful consideration and is a sensitive and personal matter.

We take great care in how we engage with our supporters regarding legacy giving, both to retain their trust and confidence and because gifts in Wills are critically important to our future.

In 2019 and beyond we are focusing on deepening our engagement with our legacy supporters and will be inviting them to visit Pet Hospitals or events to find out more about what we do.



PDSA Pet Insurance

PDSA's vision is a lifetime of wellbeing for all pets, not just those that rely on our services. Should any pet become ill or have an accident, they need to be provided with the correct care and treatment. We're proud to offer a range of pet insurance products from accident only to lifetime cover to encourage all owners to protect their pets.

Income from our pet insurance products continues to grow year-on-year – generating almost £1 million in 2018. We strive for our pet insurance to be one of the best in the market; included in our insurance is the Defaqto 5 star rated Ultimate policies.

As a vet charity we are uniquely placed to help owners take better care of their pets, reducing the need to claim. This approach means our pet insurance is popular and attracts new customers who stay with us.

In 2019, we will continue to raise awareness of PDSA's Pet Insurance through sponsorship and integration with other organisations – helping us to be better known and understood so that more people take advantage of our pet insurance.

PETSURANCE
from pdsa



PDSA Vet Care Range

PDSA Vet Care is a range of products supported by our veterinary expertise and includes health care supplements for joints and skin conditions, ear cleaners and digestive health products – encouraging owners to keep their pets healthy at home.

In 2018 we launched a new household flea spray and an extended range of dog shampoos. Our plans in 2019 involve growing our Vet Care product range based on the 5 Welfare Needs. We will offer these across our shops, Pet Hospitals, website, mail order catalogue and PetWise vehicles. This will help us to maximise income generation for PDSA and also support pet wellbeing through our clinical teams who recommend and sell our products.



Health

Investing in our
organisational capability

5. HEALTH

Investing in our organisational capability



Animal Welfare Need #5: HEALTH
 Pets need protection from pain, injury, suffering and disease and to be treated if they become ill or injured.

The “health” of PDSA relies on our organisational capability as a whole. We strive for ever more effective ways of working so that we achieve bigger impacts for the investments we make. Ensuring we have the organisational capability across our people, culture, processes, equipment and technology to enable us to achieve our objectives.



Aim: We depend on the commitment and energy of our people, and the effectiveness of our technology, to achieve our ambitions. We aim to ensure PDSA remains a great and enjoyable place to work, attracting, developing and retaining talented people. We’ll transform how we use data and digital technologies to increase our efficiency and improve the experience we offer to our people, volunteers, supporters and pet owners.



“Listening to our employees’ voice is important to us. We have an established communications group called Our Forum, which provides an opportunity for senior leaders and elected representatives from across the organisation to discuss strategic matters.”

PDSA Staff



Our People & Culture

Our values guide how we go about our work, they are:

- **Head & Heart** – we combine expertise with understanding to help keep owners and their pets together.
- **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.

Listening to our employees’ voice is important to us. We have an established communications group called Our Forum, which provides an opportunity for senior leaders and elected representatives from across the organisation to discuss strategic matters.

We are committed to creating a safe environment for everyone who comes into contact with PDSA and have taken action during 2018 to strengthen our safeguarding activities. This included policies, training and tools designed to ensure that our people and anyone engaging with PDSA feels safe.

We strive to maintain an environment where our people are empowered to speak up about any issues that concern them or those around them.

Vet recruitment / training

There is a national shortage of Vet Surgeons (11%) and Vet Nurses (7%).[†] By comparison, we currently have a 9% shortage of Vet Surgeons and a 7% shortage of Vet Nurses. As we are one of the UK's largest employers of veterinary professionals, ensuring we have the number of vets and nurses needed to cope with the demand for our services is an ongoing priority for us.

In 2018, we focused on increasing activity on social media to engage vets and nurses and attract their attention to our vacancies.

Our in-house bank of locum vets has also proved successful in helping us fill resource gaps on a temporary and permanent basis - 12 people moved from the 'bank' to permanent roles. We currently have over 100 people registered for bank work.

[†] The Society of Practising Veterinary Surgeons. (Survey completed November 2018 for Defra)

Vet Surgeons and Vet Nurses in the UK are required to complete continuous professional development (CPD) to comply with their professional obligations. This improves and broadens their knowledge, skills and behaviours, ensuring they remain professionally competent.

PDSA helps fund CPD for employees and we have enhanced our CPD offering by introducing a bespoke in-house clinical development programme, delivered by our own experts. This has been made possible by generous funding of £100,000 from players of People's Postcode Lottery. Being able to bring this training in-house will not only mean that vets are trained to our own high standard, but will also enable us to save money on external courses.

Our in-house CPD activity has helped us improve our Vet Surgeon Graduate Programme and our Veterinary Nurse Apprenticeship training. In 2018, we developed 20 Vet Surgeons and 33 Vet Nurses through these programmes.

“Our in-house CPD activity has helped us improve our Vet Surgeon Graduate Programme and our Veterinary Nurse Apprenticeship training.”



Technology

Embracing new ways of working and collaborating, enabled by fresh digital technologies, offers us a chance to be more efficient and agile. This helps us deliver more impact and public benefit from the resources we have.

During 2018, we have steadily introduced tools and applications to simplify our internal financial and management control processes. We will continue to invest in streamlining how we work.

Our plans for 2019 include greater automation across our support and service teams, to speed things up.

Technology is also changing how our donors want to interact with us, whether that be through participating in online communities and social media, or finding ways to make donations as they shop online. We introduced My PDSA in 2018, an application for our donors and supporters, which we plan to develop further in 2019.

“Embracing new ways of working and collaborating enabled by fresh digital technologies offers us a chance to be more efficient and agile.”

GDPR

On 25 May 2018 the General Data Protection Regulation, commonly referred to as GDPR, became law in the UK. The purpose of this new legislation is to help increase the control people have over their own personal information and privacy.

As a Data Controller, PDSA has to think about how we deliver the rights that people now have.

To comply with GDPR we have:

- improved privacy policies on our website;
- made changes to every computer system across the organisation;
- communicated with more than one million people to inform them how we use their personal information;
- updated our policies and practices on data quality and retention;

- completed organisation wide staff training; and
- appointed a dedicated Data Protection Officer (DPO) to advise the organisation of our legal obligations and to continue building governance and compliance checks

In addition, we continually review the security of our systems and data. Ensuring strong defences and controls to prevent unauthorised access to the data we hold is essential in maintaining the trust and confidence of our supporters and those who use our veterinary services.

As a leading UK charity we challenge ourselves to operate at the highest standards. We are proud of our work to date on data privacy compliance, but this is an ongoing task that will see continued focus in the years to come.



Governance and Risk Statements

Administrative Details

Principal Professional Advisors



The People's Dispensary for Sick Animals (PDSA)

Founded in 1917 by Maria Dickin, CBE

Incorporated by Acts of Parliament
(PDSA Act 1949, 12 & 13 Geo. 6, Ch. xv)
(PDSA Act 1956, 4 & 5 Eliz. 2, Ch. 1xvii)
(Revised by a Parliamentary Scheme in 2015)

Head Office
Whitechapel Way, Priorslee, Telford, Shropshire TF2 9PQ
Telephone: 01952 290999
Website: www.pdsa.org.uk

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

Registered charity numbers:
208217 & SC037585



Actuaries

KPMG LLP,
One Snowhill Queensway,
Birmingham B4 6GH



External Auditor

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



Bankers

Lloyds Bank plc,
10 Gresham Street,
London EC2V 7AE



Investment Managers

Newton Investment Management Limited,
Mellon Financial Centre,
160 Queen Victoria Street,
London EC4V 4LA
(until March 2019)

Aberdeen Standard Investments,
1 George Street, Edinburgh EH2 2LL
(until 12 December 2018)

Schroder Unit Trusts Limited,
1 London Wall Place, London EC2Y 5AU
(from 13 December 2018)

Investec Asset Management Limited,
Woolgate Exchange, 25 Basinghall Street,
London EC2V 5HA
(from 13 December 2018)

Partners Group (UK) Limited,
14th Floor, 110 Bishopsgate, London EC2N 4AY
(from March 2019)



Solicitors

Sacker & Partners LLP,
20 Gresham Street,
London EC2V JE



Trustees

Details in Governance Section overleaf

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 sub-committees.

The total number of Trustees is currently 12 and they are listed to the right, along with their committee membership.

Chairman Mr John Smith, FCA	F G	
Deputy Chairman Mr Richard Clowes, BSc MI Mech E	F G	
Professor Gary England, BVetMed PhD DVetMed CertVA DVR DVRep DipECAR DipACT FHEA FRCVS	A	
Mr Noel Guilford, BA, FCA	F A	Retired 7 June 2018
Mr Gordon Hockey	A	Appointed 14 December 2017
Mr David Lister BA (Hons) Solicitor	F	Appointed 29 March 2018
Ms Laurie Mayers, BA, MA	F G	
Mr John Miller, BSc, MCIPD, AFBPsS	G	
Mr David Morgan, BSc Hons	F	Appointed 13 December 2018
Mr Ian Phoenix		Appointed 13 December 2018
Mrs Carole Pomfret MA ACA	F	
Mrs Mary Reilly BA (Hons), FCA	A	
Mrs Alison Tattersall BA (Hons), Postgrad Diploma in Marketing	A	
Mr Andy Tinlin BEng (Hons), Postgrad Diploma in Management	F	Resigned 19 May 2018
F - Member of the Finance & Investment Committee A - Member of the Audit & Risk Committee G - Member of the Governance & Remuneration Committee		

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

Council approves new Trustees whose appointment is ratified at a General Meeting. All Trustee recruitment is subject to a rigorous and transparent process. Qualifications for Trusteeship include commitment to relieving poverty and 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.

Committees

There are four committees and each has specific terms of reference.

The Finance & Investment Committee reviews the Fund Managers' performance, the budget and most other financial matters.

The Audit & Risk Committee considers risk, internal and external audit matters. It looks at health and safety management and all aspects of our clinical governance framework, thereby giving a holistic view as to the quality assurance of the veterinary service. It also receives regular updates on compliance in respect of our fundraising governance framework.

The Remuneration Committee's role has been expanded during the year and is now known as the Governance & Remuneration Committee (see Charity Governance Code below).

Its role includes determining the Remuneration Policy for the whole organisation and in particular, the total remuneration packages of senior executives which it recommends to Council. In addition, it now includes oversight of governance, for example, monitoring changes in external codes of good practice and considering PDSA's response, advising on the approach to reviews of Board effectiveness, Trustee appointment and succession, and diversity issues.

The Special Purposes Committee approves legal agreements (for members see Executive Staff).

“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.”



Charity Governance Code

PDSA is committed to good governance. The working party of Trustees established in 2017 made recommendations regarding the Charity Governance Code, which had been published in July 2017. These recommendations were approved by Council in May 2018.

The working party had considered our existing governance framework and arrangements in the light of the new Code. It recommended that formal responsibility for regular review and monitoring of governance arrangements be delegated to a committee, so that PDSA can keep up to date with changing best practice and stakeholder expectations. As a result of this recommendation, the remit of the Remuneration Committee was expanded to include Governance matters (see above).

Some of the arrangements in place in order to meet the Code requirements are:

- There are established processes for Board recruitment, induction, Trustee appraisal and Trustee training.
- New Trustees are familiarised with the workings of PDSA, Council Policies & Procedures and Governance. This is done through a comprehensive induction programme consisting of visits to Head Office, PDSA Pet Hospitals and our retail shops, along with meetings with directors and key members of staff.
- A skills audit is carried out every 3 years to identify potential gaps in the Trustee Board's collective skills.
- Trustees undertake a regular programme of visits to 'front-line' locations enabling them to lead by example in demonstrating PDSA's values.

“The terms of office for Trustees are three terms of four years. After each term of four years, individual Trustees discuss with the Chair whether they should continue.”

- Third parties are selected to provide specialist seminars and lectures, which Trustees attend as appropriate. Subjects covered include: charity law and governance, pension law and administration and investment practice.
- Registers of interests are maintained for Trustees and senior members of staff to identify possible conflicts and there are processes in place to manage any issues.
- Council holds an annual strategy review to consider short, medium and long-term strategies for effective delivery of our charitable purposes.
- Council receive regular performance reports indicating the extent to which strategies are being achieved and the extent to which they are having the desired / expected outcomes.
- A governance guide is provided to all Trustees, which sets out the key governance arrangements in place. This includes details of matters reserved for Council, and terms of reference for all sub-committees.
- Minutes are maintained of all meetings of Council and committees.
- Responsibility for ensuring there are succession plans for key leadership roles is clearly defined.
- The purpose and objectives of subsidiaries and their relationship to the parent charity are set out in their articles of incorporation.
- Key policies are in place and are reviewed regularly, including the Reserves Policy.

- Trustees carry out a review of Board effectiveness every two years under the co-ordination of the deputy Chair. The results are reported to Council.
- There is a risk management process in place, and the Audit & Risk Committee reviews significant risks annually. The Audit & Risk Committee also considers the process for managing risks within PDSA.
- Council appoints independent auditors and their work is overseen by the Audit & Risk Committee, who have opportunity for closed meetings with the auditors twice a year.
- There is a process for ensuring all colleagues have agreed objectives which are cascaded down the organisation and that performance against these objectives is reviewed.
- There is a Whistleblowing Policy and procedure in place, processes for investigating whistleblowing complaints have been established and any whistleblowing incidents are reported to the Audit & Risk Committee.
- We have an extensive suite of policies and procedures designed to protect the health and wellbeing of all people who come into contact with PDSA, including safeguarding of young people and adults at risk. (See Health section for further details).

As a result of the review of arrangements, PDSA has committed to:

- Implement a policy framework to set the standards for all new policies and ensure policies are reviewed and updated as frequently as required.
- Develop a comprehensive document setting out all matters where Council have delegated authority for decision-making. These are currently documented in minutes of the relevant Council meetings.
- Ensure that diversity is encouraged in applications for new roles or Trustee positions. There is an ongoing focus to improve diversity and inclusion across the organisation.

One area where PDSA does not apply the guidance contained in the Charity Governance Code is in relation to Trustee terms of office. The terms of office for Trustees are three terms of four years. After each term of four years, individual Trustees discuss with the Chair whether they should continue.

Factors taken into account include: skills requirements, whether the Trustee wishes to and is able to continue to commit to time requirements and whether the Trustee and Chair believe they are still adding value to the Board. In exceptional circumstances, at the request of the Chair and Deputy Chair, Trustees may be asked to stay on beyond the maximum term of 12 years, to provide continuity.

PDSA considers that these terms of office are appropriate to provide a balance of experience and to allow Trustees to gain the depth of understanding of the charity which is needed, whilst still ensuring that Trustee tenure is limited.



Remuneration Statement

PDSA is a large organisation with over 2,000 employees and the support of over 3,500 volunteers. It is the combined effort of all our people that enables us to provide compassionate vet care for pet owners who can't afford the care their pets need. We're here for the person and their pet, as a family, delivering our mission of improving the life of every pet in the communities within which we serve.

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

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

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

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

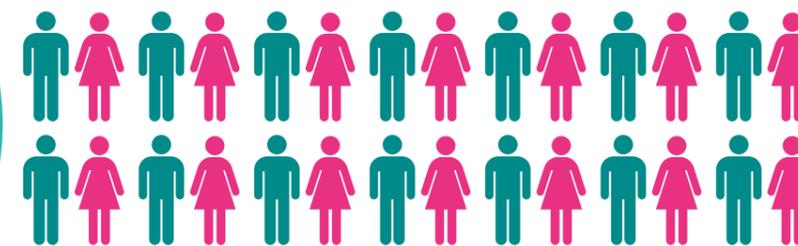
- To have understandable, equitable and transparent reward policies within the organisation that reflect the strategy and ethos of PDSA.
- To apply a common framework for managing reward decisions, whilst providing flexibility to meet differing organisational needs within PDSA.
- To provide a competitive and market responsive total reward package that enables PDSA to attract and retain employees from the not-for-profit or private sector as appropriate.
- To apply a robust system for comparing jobs internally, which can be used to clarify career paths and support career development discussions.

- To value the contribution that an individual makes in their job and recognise the link between performance and reward.
- To provide a comprehensive core set of benefits for all employees whilst giving some flexibility within the total reward package to enable employees to meet their differing personal needs and preferences.

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

In 2018, we initiated a fundamental review of our pay, pensions and benefits offered to all employees including senior executives. We carried out extensive benchmarking and worked with a range of key stakeholders across PDSA including our employee consultation and communication group, Our Forum, to shape proposals.

over
2,000
people work
for the PDSA



The Governance & Remuneration Committee presided over this work, and proposals to change PDSA's pay, pension and benefits arrangements were recommended to Council. PDSA will enter into consultation with all its employees including senior executives on these proposed changes early in 2019.

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

It is the view of the Governance & 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 fair and proportionate.

Group Structure

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

Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

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

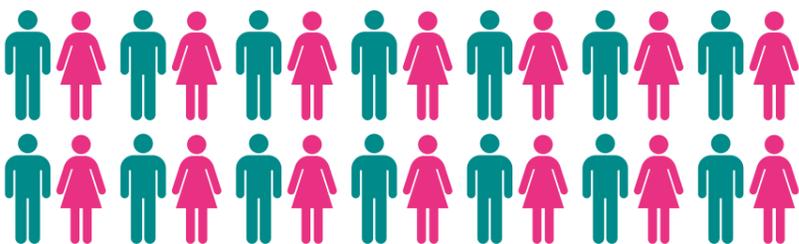
In preparing these financial statements, the Trustees are required to:

- 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; and
- 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, along with the financial position of the charity at any time. The financial statements should comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of The People's Dispensary for Sick Animals Acts 1949 and 1956 as amended by a Parliamentary Scheme in May 2015. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for ensuring that the financial statements are published on the charity's website in accordance with legislation in the United Kingdom. They should govern 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.

PDSA is
supported by over
3,500
volunteers



Executive Team

Council delegates policy implementation to the Director General. The Director General manages PDSA through the Senior Management Team. The Director General and Directors together constitute the Special Purposes Committee.



Director General
Jan McLoughlin,
MSc, CBiol, MSB, FloD



Director of Veterinary Services
Richard Hooker,
BVMS (Hons), MRCVS



Director of Finance
Michael Pell,
FCA
resigned 31 December 2018



Director of Finance
Andrew Willetts
BA ACA
from 17 January 2019



Director of Human & Corporate Resources
Karen Hailes,
FCIPD



Director of Fundraising
Nigel Spencer,
ACIB, MCIM
from 13 June 2018



Commercial Director
Annette Spindler,
from 25 June 2018

During 2018 new directors have been appointed to strengthen our donor engagement, fundraising and income generation activity.

Risk

PDSA has 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; and
- the risk management process is embedded in operational and management procedures.

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

Council considers its key risk factors to be those identified below:

- **Legacy income** – this represents approximately 45% of total income and there is a risk that reductions in this income source could materially affect PDSA's financial position.
- **Number of pets** – demand for our services can fluctuate over short periods of time and in line with general economic conditions which can result in significant cost increases.
- **Service infrastructure** – PDSA is a large and complex service operation over a wide geographical area. Risk factors include cost increases due to service growth and inflation, the PDSA Pet Hospital replacement programme, the national distribution of services and retaining/recruiting qualified veterinary staff. Service provisions need a long turnaround period in order to downsize operations should financial constraints require and this ought to be reflected in the level of free reserves.

- **Fundraising** – our ability to raise the funds we need to continue our work can be affected by many factors including our ability to respond to changing supporters' expectations and preferences, activities of other charities, regulatory changes and economic conditions all of which can lead to reductions in income or increased costs.
- **Pensions** – although we have closed our defined benefit scheme to new members and allow future accrual until April 2019, the requirement to fund pension promises could impact our financial position.

• **IT security** – we depend upon the integrity of our systems and the accuracy of our databases to operate the charity effectively. We recognise this is a complex and rapidly changing environment.

• **Brexit** – we have considered emerging risks in detail. The most significant risks arise from a no deal outcome and in particular the potential economic effects constricting legacy income, operational continuity in the form of pharmaceutical supplies from the EU and veterinary staff from the EU.

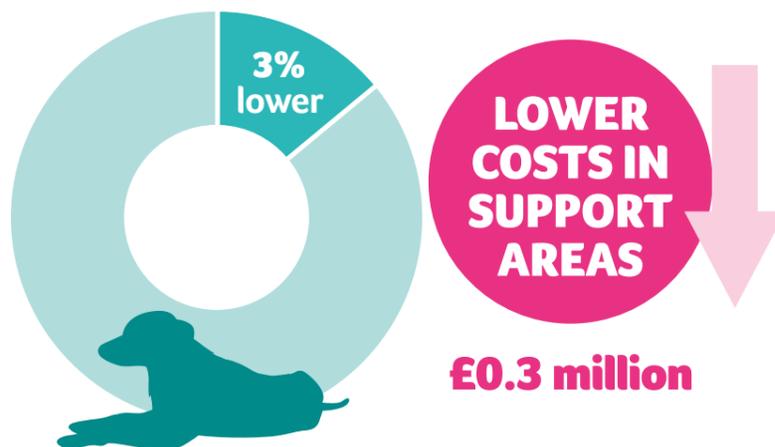
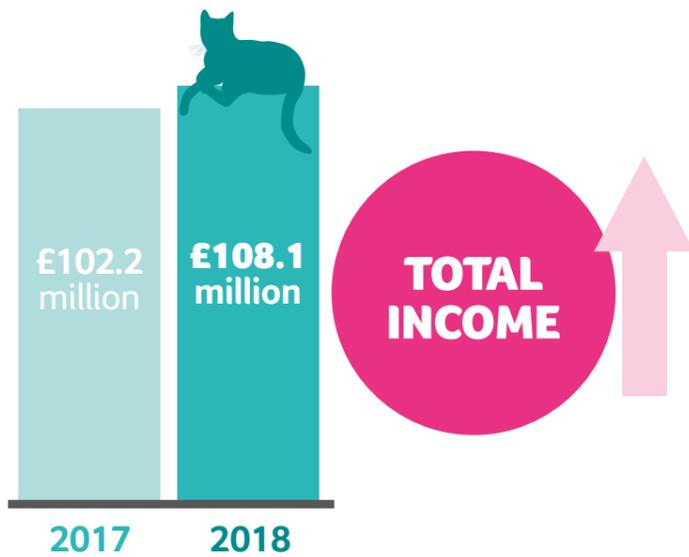
Council is satisfied that controls and actions have been put in place to mitigate the major risks identified. However, it recognises that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.





**Financial
Review**

FINANCIAL REVIEW



Financial review

Our 2018 results were the best for many years and were better than anticipated. It has been our intention to reduce our fixed cost base, grow income and so develop growing surpluses to secure our future investment in delivering our charitable purpose. Pleasingly, we have managed to achieve growth faster than expected and these surpluses will be used to deliver further public benefit through specific projects.

The UK economy continued to grow in 2018, though more slowly - no doubt as a result of continued uncertainty relating to the UK's departure from the European Union and major global factors such as the weakening Chinese and US economies. Nevertheless, we generated a second year of positive Net Income following many years of deficit.

We increased our total income to £108.1 million (2017: £102.2 million). An important part of that was a very good year for legacy income, which was boosted by an estate with an agricultural property worth £3.6million. The players of the People's Postcode Lottery have continued to support us, and this provided gross income of £6.1 million (£1.9 million net) in our trading results (compared to last year's £7.6 million gross, £2.3 million net).

We spent £64.1 million on public benefit - this was less than in 2017 (£71.1 million) mainly as a result of ceasing our Pet Practice Service, but also from ongoing cost control and operational efficiencies.

The surplus of funding over expenses in 2018 enable us to invest in projects and services to extend our public benefit in 2019 and beyond.

We continued to invest in our strategy to grow awareness of PDSA, through integrated marketing campaigns, our own major event 'Petlife'18' (as well as other national events) to promote higher levels of awareness and generate further income.

Overall, there was significant improvement in our operating position: a net income of £9.6 million this year compared to £1.4 million in 2017. This year included a loss on our investments of £3.0 million (2017: a gain of £1.7 million) in a difficult year for global markets. As in recent years, there has been further activity to reduce costs and improve our trading performance.

Costs in support areas were lower than 2017 by £0.3 million (3%). Within these costs we have made a provision for professional fees of £1.0 million. However, we have reduced our provision for VAT costs by £0.9 million following dialogue with HM Revenue and Customs (HMRC) but have retained a small provision for the period covering the second half of 2018.

Our defined benefit pension fund had an actuarial gain this year of £16.1 million and the deficit reduced to £32.1 million from £49.7 million in 2017.

Income and costs

We receive no HM Government or National Lottery funding for our veterinary services and therefore we rely on generating our income from our supporters by voluntary donations 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.

Other trading net income includes gaming products, sales from our retail network (donated and new goods) and miscellaneous sales, commissions and licensing income. Asset-related income is investment income and gains on disposals of fixed assets. PDSA Trading Limited provides the bulk of trading income, excluding donated goods, which are sold by the charity; this subsidiary's full results can be seen in the financial statements.

The income we receive from donations and legacies forms a large part of our overall income and we need to spend on marketing and management in this area to attract supporters and protect future revenue. We must ensure that we invest carefully to generate awareness and income both in the short and long-term.

Our legacy income in 2018 was £47.8 million which was 4.5% higher than 2017; this delivers 61% of our net income available for charitable activities (2017: 63%). It remains our longer-term aim to reduce our reliance on legacies by growing other income streams. We aim to do this by growing our supporter base, through promotion and using innovative approaches to generate donations; we will also maintain and grow trading income in retail and veterinary commercial activities.

Our donations income was boosted this year by generous support for our new Manchester Pet Wellbeing Centre capital appeal with some large individual donations including a very generous a gift from the Montague-Panton Animal Welfare Trust. We are also grateful to Mr. and Mrs. Ionescu for a significant donation to help fund future investment in our Pet Hospitals.

Retention rates for individual regular giving were higher than anticipated. Overall donations were 2.9% higher than 2017. We have continued to grow charitable trading income mainly by the rollout of paid-for concessionary services, which grew from £1.8 million to £4.4 million. Preventive services income from clients grew by 9%.

Our main traded income comes from our Retail Division's sales of donated good which were consistent with 2017, however new goods sales improved by 6%. This is a large-scale activity for PDSA and we are among the top 12 national charity retailers when measured by income. Net results continued to improve due to cost savings, and also from strengthened margins. In addition, income from PDSA Pet Insurance products grew by £0.5 million.

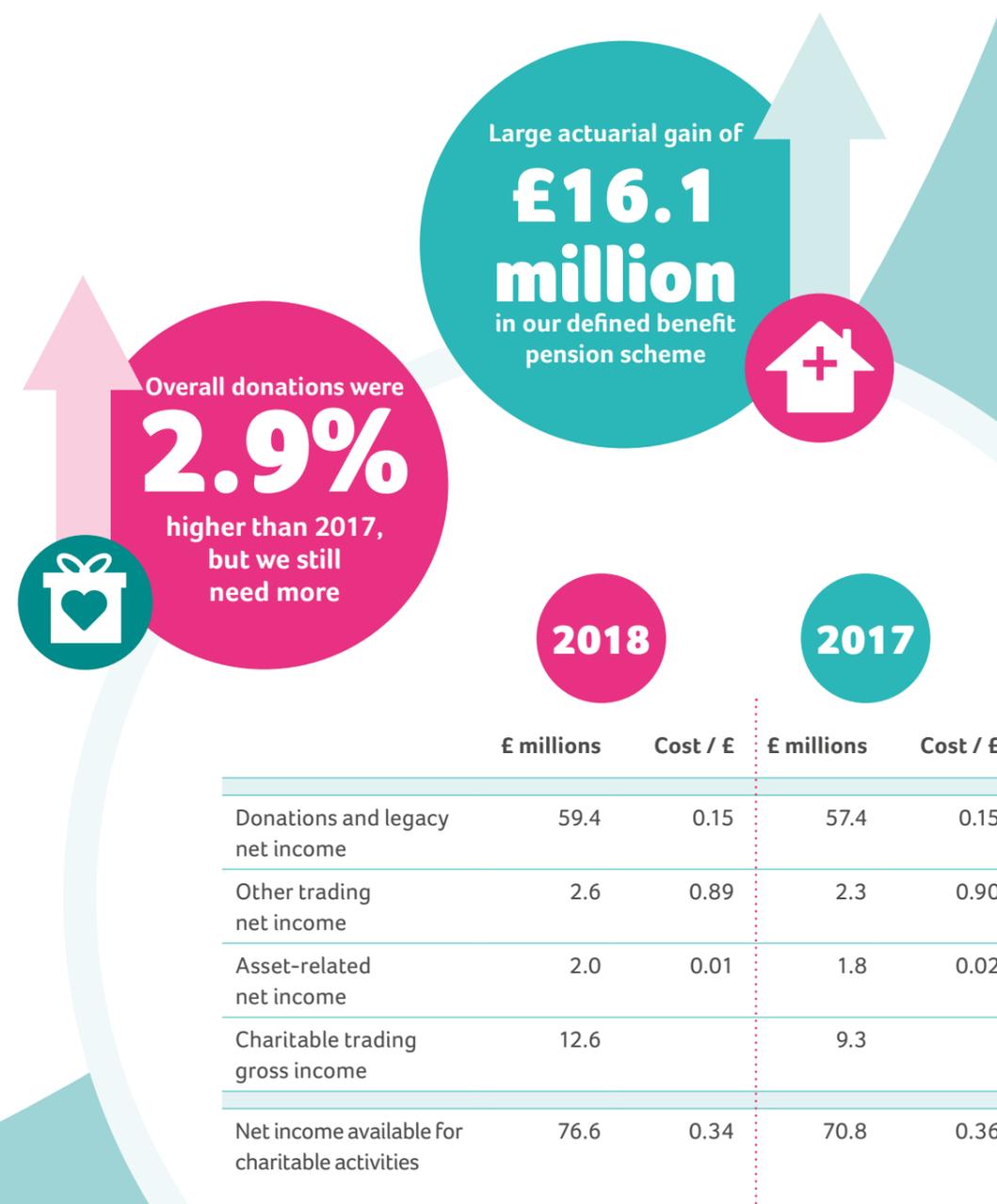
Our trading results include income from the players of People's Postcode Lottery. The gross proceeds of £6.1 million are included within our income; after prizes and operating costs in generating this income the net surplus was £1.9 million.



The amount spent on treatment at Pet Hospitals and contracted services was £56.6 million (2017: £63.1 million). Costs in 2017 included an exceptional amount; a £1.9 million provision to cease the Pet Practice Service. In 2018 there were lower operating costs as result of ceasing that activity.

The amount we spend on education and responsible pet ownership does differ each year and depends on the precise activities we undertake. In 2018, the level of expenditure was £2.4 million (2017: £2.7 million).

The large actuarial gain of £16.1 million in our defined benefit pension scheme was significantly higher than the 2017 gain of £5.8 million. The main reasons for this year's gain were assumptions relating to liabilities and recent membership experience. Following the 2018 High Court Ruling on equalising Guaranteed Minimum Pension benefits, we have increased our pension liabilities by £1.0 million.



Investments

At the end of 2018 our investments totalled £61.1 million (2017: £59.7 million). This is primarily an investment portfolio of externally managed investment funds, along with some investment properties managed by the charity.

We delegate day-to-day management of the investment portfolio to professional fund managers. We have an Ethical Investment Policy that precludes investing directly in those organisations involved in testing on animals for cosmetic and other non-medical purposes. Performance is measured on a total return basis and the Finance & Investment Committee regularly reviews the fund managers' performance.

We completed a review of our investment strategy during 2018 and towards the end of the year we migrated around three-quarters of our portfolio to different fund managers (see below). The balance was migrated in March 2019 to Partners Group (UK) Limited.

The Society's revised investment strategy continues to focus on capital preservation, while providing opportunities for increased returns through diversification of the asset base, without a significant increase in risk; the strategy remains subject to the Society's Ethical Investment Policy.

Our two investment managers for most of 2018 were Newton Investment Management and Aberdeen Standard Investments, using their pooled funds: the Newton Real Return Fund and Standard Life Global Absolute Return Strategies Fund, rather than direct investments.

We divested fully from Aberdeen Standard Life Investments and partially from Newton Investment Management during December 2018; these have been succeeded by investments with Schroder Unit Trusts and Investec Asset Management.

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. Overall, there was a loss of £3.1 million on our investment portfolio (2017: £0.3 million gain).

Investment properties are re-valued each year. The value at 31 December 2018 was £6.0 million. (2017: £2.5 million). We added one property as a result of a legacy which was valued at £3.6 million and offers high potential for long-term value appreciation. We sold one property during the year.

Reserves and going concern

Council considers reserves regularly as part of its business planning process. It seeks to ensure that sufficient reserves are available to fund planned activity agreed in the Business Plan. It should also be responsive to unforeseen and unplanned activity and to protect PDSA from unexpected events, such as fluctuations in income and costs not anticipated in the Business Plan. The policy reflects the Charity Commission's guidance on Reserves Policies in its publication CC19.

Our Reserves Policy is supported by contingency planning to determine the potential impact on the level of reserves by defined risk factors. Our contingency planning determines the level of reserves that we consider necessary to protect us from any prolonged financial risks and considers any measures that may need to be addressed should reserves fall below agreed levels.

Council has determined that the level of free reserves needed should fall within the range £50 million to £75 million. This level is reviewed by Council on a regular basis. Amongst other factors, Council has noted the importance of reserves covering at least a year's expenditure in our veterinary areas and supporting costs, which, based on 2018's Business Plan, would amount to approximately £50 million.

At 31 December 2018 the charity had free reserves of £64.5 million (2017: £58.9 million), as calculated in the table opposite.

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

The total funds of the Group at the end of 2018 were £73.6 million (2017: £48.0 million). Of these funds, £4.1 million were restricted income funds or endowments (2017: £2.2 million).

Our investment funds have sufficient liquidity to provide the flexibility to manage any potential downturn in income and the charity has a £5 million unsecured overdraft facility with Lloyds Bank plc.

Council regularly reviews financial forecasts and projections, taking account of the potential impact on future public benefit. To assist this review, cash forecasting is an important element of Group financial management.



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

Pension Plans

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

The defined benefit pension scheme has been closed to new employees since 2006 and had a deficit, as calculated under the provisions of FRS 102, of £32.1 million at 31 December 2018 (2017: £49.7 million). The latest triennial actuarial valuation was carried out as at 31 December 2017 and this showed a deficit of £46.2 million. Revised deficit funding contributions were agreed between PDSA and the RBP Trustee in December 2018.

In February 2016 the charity announced proposals regarding the future of the Retirement Benefits Plan and entered in to a consultation period with active members. Members were offered options of continuing to generate future benefit accrual until 5 April 2019 when the Plan will close, or to become members of the GPP Plan.

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

Approved by Council and signed on its behalf by:

John Smith



John Smith, Chair

22 May 2019

Free reserves at 31 December 2018

2018 2017

£ millions	2018	2017
Total charity funds	73.6	48.0
Pension reserve	32.1	49.7
Endowment funds	(0.9)	(0.9)
Restricted income funds	(3.1)	(1.4)
Unrestricted funds	101.7	95.4
Pension funding commitments	(25.2)	(22.7)
Carrying value of functional assets	(22.0)	(23.2)
Legacy contingent asset	10.0	9.4
Free reserves	64.5	58.9



Independent Auditor's Report to Council

INDEPENDENT AUDITOR'S REPORT TO COUNCIL

of the People's Dispensary for Sick Animals

Opinion

We have audited the financial statements of The People's Dispensary for Sick Animals ("the Parent Charity") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charity's affairs as at 31 December 2018 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010 and The People's Dispensary for Sick Animals Acts 1949 and 1956.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

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

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

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Trustees

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

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charity's ability to continue as a going concern, disclosing,

as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the parent Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

<https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

Use of our report

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.

Don Bawtree

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

Date: 22 May 2019

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

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



Consolidated Statement of Financial Activities

(incorporating an income and expenditure account)

For the years ended 31 December	Note	£'000			£'000		
		Unrestricted funds	Restricted funds and endowments	Total 2018	Unrestricted funds	Restricted funds and endowments	Total 2017
Income and endowments from							
Donations and legacies	1,2	61,918	8,168	70,086	62,286	5,109	67,395
Other trading activities	2	23,386	-	23,386	23,724	-	23,724
Charitable trading activities	2	12,568	-	12,568	9,251	-	9,251
Investments	2	1,472	-	1,472	1,468	-	1,468
Net gain on disposal of fixed assets		553	-	553	326	-	326
Total income		99,897	8,168	108,065	97,055	5,109	102,164
Expenditure on raising funds							
Donations and legacies	3	10,643	-	10,643	9,946	-	9,946
Other trading activities	3	20,799	-	20,799	21,415	-	21,415
Investments	3	27	-	27	33	-	33
Total expenditure on raising funds		31,469	-	31,469	31,394	-	31,394
Net income available for charitable activities		68,428	8,168	76,596	65,661	5,109	70,770
Charitable activities							
Treatment at Pet Hospitals and by contracted services	3	50,436	6,149	56,585	58,207	4,854	63,061
Education: responsible pet ownership	3	2,243	197	2,440	2,116	630	2,746
Preventive services	3	5,057	-	5,057	5,264	-	5,264
Total expenditure on charitable activities		57,736	6,346	64,082	65,587	5,484	71,071
Total expenditure		89,205	6,346	95,551	96,981	5,484	102,465
Net gains/(losses) on investments	7	(2,958)	-	(2,958)	1,657	-	1,657
Net income/(expenditure)		7,734	1,822	9,556	1,731	(375)	1,356
Transfers between funds	14	(7)	7	-	13	(13)	-
Actuarial gain on defined benefit pension Scheme	19	16,100	-	16,100	5,800	-	5,800
Net movement in funds		23,827	1,829	25,656	7,544	(388)	7,156
Reconciliation of funds							
Total funds brought forward		45,740	2,240	47,980	38,196	2,628	40,824
Total funds carried forward	14	69,567	4,069	73,636	45,740	2,240	47,980

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	Note	£'000			
		Group Total 2018	Group Total 2017	Charity Total 2018	Charity Total 2017
Fixed assets					
Tangible assets	6	22,030	23,188	23,534	24,299
Investments	7	61,135	59,694	61,135	59,694
Total fixed assets		83,165	82,882	84,669	83,993
Current assets					
Stocks – finished goods and goods for resale		1,867	1,749	1,432	1,452
Debtors	8	24,133	22,369	28,275	24,987
Investments	9	19	19	19	19
Cash at bank and in hand		6,170	2,556	2,294	415
Total current assets		32,189	26,693	32,020	26,873
Creditors – amounts falling due within one year	10	(7,162)	(7,264)	(6,986)	(7,045)
Net current assets		25,027	19,429	25,034	19,828
Total assets less current liabilities		108,192	102,311	109,703	103,821
Creditors – amounts falling due after more than one year	11	(6)	(9)	(6)	(9)
Provisions for liabilities	12	(2,450)	(4,622)	(2,450)	(4,622)
Net assets excluding pension liability		105,736	97,680	107,247	99,190
Defined benefit pension Scheme liability	19	(32,100)	(49,700)	(32,100)	(49,700)
Total net assets		73,636	47,980	75,147	49,490
The funds of the charity					
Endowment funds	14	933	933	933	933
Restricted income funds	14	3,136	1,307	3,136	1,307
Unrestricted funds	14	101,667	95,440	103,178	96,950
Pension reserve	14	(32,100)	(49,700)	(32,100)	(49,700)
Total unrestricted funds		69,567	45,740	71,078	47,250
Total charity funds		73,636	47,980	75,147	49,490

Approved by Council and signed on its behalf on 22 May 2019

John Smith

John Smith,
Chair

Consolidated Statement of Cash Flows

		£'000	
For the year ended 31 December		2018	2017
	Note		
Net cash provided by operating activities	a	7,387	3,664
Cash flows from investing activities			
Dividends, interest and rents from investments		1,472	1,468
Purchase of property, plant and equipment		(1,090)	(195)
Proceeds from the sale of property, plant and equipment		644	409
Purchase of investments		(1,035)	(1,033)
Pension deficit contributions		(4,000)	(4,000)
Proceeds from the sale of investments		236	623
Net cash used in investing activities		(3,773)	(2,728)
Change in cash and cash equivalents in the reporting period		3,614	936
Cash and cash equivalents at the beginning of the reporting period	b	2,575	1,639
Cash and cash equivalents at the end of the reporting period	b	6,189	2,575

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

		2018	2017
Net income for the reporting period		9,556	1,356
Adjustments for			
Investment income		(1,472)	(1,468)
Net gain on disposal of tangible fixed assets		(553)	(326)
Income received in the form of property		(3,600)	-
Depreciation		2,157	2,234
Movements on investments		2,958	(1,657)
Increase in pension provision excluding actuarial loss		2,500	1,800
(Increase) in stocks		(118)	(175)
(Increase) in debtors		(1,764)	(1,957)
(Decrease) in creditors		(105)	(143)
Increase/(decrease) in provisions		(2,172)	4,000
Net cash provided by operating activities		7,387	3,664

Note b. Analysis of cash and cash equivalents

		2018	2017
Current asset investments		19	19
Cash at bank and in hand		6,170	2,556
Total		6,189	2,575

Notes to the financial statements for the year ended 31 December 2018

1. Accounting policies

Accounting basis

The financial statements have been prepared under the historical cost convention, with the exception of investments that are included at market value. The financial statements have been prepared in accordance with the Charities Act 2011, the Charities and Trustees Investment (Scotland) Act 2005, the Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2016.

The charity's activities, together with factors likely to affect its future development, performance and financial position and commentary on its financial results and its cash flows, are set out in the Trustees' Report and 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 2018.

Fund accounting

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

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

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

Investment income and gains are allocated to the appropriate fund.

Incoming resources

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

Pecuniary legacies are recognised as receivable once probate has been granted and notification has been received. Reversionary interests involving a life tenant are not recognised. In our estimate and judgement, residuary legacies are recognised when the charity is advised by the personal representative of an estate that payment will be made or assets transferred and in the opinion of management, the amount can be quantified with reasonable accuracy and will probably be received. This estimate includes a reduction to reflect the proportion of the prior year debtors not received in subsequent years and so allows for the potential variation in settlement values and the risk of a will being contested. Cases with claims against them are recognised on a distribution basis.

Donated goods are included in income when received.

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

Grants and donations in respect of capital expenditure are credited to restricted funds at the point of recognition and are released to unrestricted funds on the later date of completion of the fixed asset, or the obligation being met.

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

Resources expended

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

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

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

Tangible fixed assets and depreciation

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

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

Assets under course of construction	Nil
Freehold land	Nil
Freehold buildings	25–50 years
Long leasehold buildings	25 years
Short leasehold buildings	Remainder of lease
Pet Hospital buildings, freehold and leasehold	25 years
Furniture, fittings and equipment	3–8 years
Motor vehicles	5 years

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

Investment properties

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

Investments

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

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

Stocks

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

Financial instruments

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

The Group balances included in the accounts are as follows:

	2018	2017
	£'000	£'000
Fixed Asset Investments	61,135	59,694
Debtors	24,133	22,369
Current Asset Investments	19	19
Creditors: amounts falling due within one year	7,162	7,264

Taxation

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



Pension costs

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

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

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

Finance and operating leases

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

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

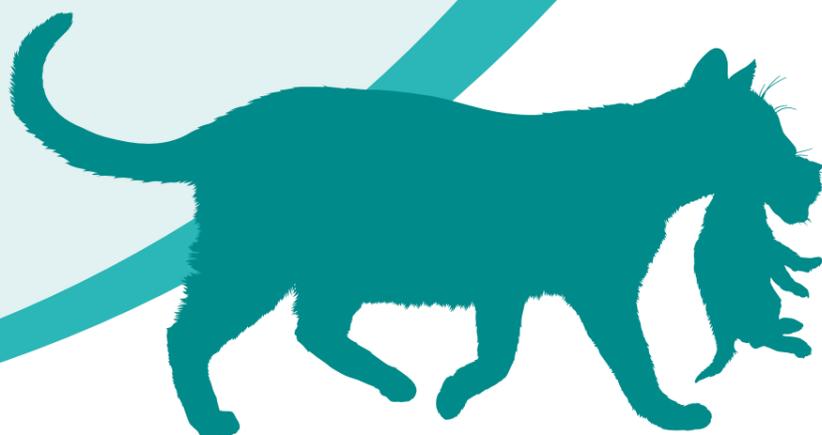
Basis of consolidation

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

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

Provisions

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



	£'000	
	2018	2017
2. Income and endowments		
Donations and legacies		
Legacies receivable	47,824	45,755
Donations and gifts	22,262	21,640
	70,086	67,395
Other trading activities		
Lottery and similar income*	7,688	8,895
Sale of donated goods**	11,761	11,757
Sale of new goods	1,678	1,589
Other sales income	2,259	1,483
	23,386	23,724
Charitable trading activities		
Preventive services	8,154	7,480
Concessionary and other paid for services	4,414	1,771
	12,568	9,251
Investments		
Listed securities – dividends	1,035	1,031
Bank and other interest	4	1
Rents receivable	433	436
	1,472	1,468

* 2018 lottery income includes £6,083,000 received from players of the People's Postcode Lottery for lotteries drawn in 2018 (2017: £7,577,000)

** 2018 includes income of £3,365,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid programme (2017: £3,282,000)

	£'000			
	2018			2017
	Activities undertaken directly	Support costs allocated	Total	Total
3. Expenditure				
Expenditure raising funds				
Legacies receivable	1,270	125	1,395	1,427
Donations and gifts	6,814	294	7,108	5,750
Raising public perception and awareness	2,017	123	2,140	2,769
	10,101	542	10,643	9,946
Expenditure on other trading activities				
Merchandising, charity shop and other trading	14,131	1,319	15,450	15,224
Lottery ticket sales	5,171	178	5,349	6,191
	19,302	1,497	20,799	21,415
Expenditure on investments	24	3	27	33
Expenditure on charitable activities				
Treatment at Pet Hospitals and by contracted services	50,646	5,939	56,585	63,061
Education: responsible pet ownership	2,258	182	2,440	2,746
Preventive services	4,794	263	5,057	5,264
	57,698	6,384	64,082	71,071
	87,125	8,426	95,551	102,465

Support costs breakdown by activity

						£'000	
	Human Resources	Property Services	Finance and Management	Information Technology	2018	2017	
Expenditure raising funds							
Legacies receivable	30	-	43	52	125	106	
Donations and gifts	29	-	232	33	294	292	
Raising public perception and awareness	28	-	69	26	123	149	
Expenditure on other trading activities							
Merchandising, charity shop and other trading	274	200	501	344	1,319	1,313	
Lottery ticket sales	2	-	176	-	178	235	
Expenditure on Investments							
	-	2	1	-	3	5	
Expenditure on charitable activities							
Treatment at Pet Hospitals and by contracted services	1,989	362	1,724	1,864	5,939	6,085	
Education: responsible pet ownership	71	1	77	33	182	222	
Preventive services	100	-	163	-	263	290	
Total support costs	2,523	565	2,986	2,352	8,426	8,697	

Governance costs in the year of £201,000 (2017: £177,000) 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 incoming resources before other recognised gains and losses

	2018	2017
These are stated after charging		
Auditor's remuneration		
audit fees charity	46	45
audit fees subsidiaries	5	5
non-audit fees charity		
- tax services	2	-
- other consultancy services	3	-
non-audit fees subsidiaries		
- tax services	4	4
- other consultancy services	-	12
Operating leases	3,084	3,239

	2018	2017
5. Employees		
Employment costs		
Salaries	42,664	42,120
Social security costs	3,816	3,815
Defined benefit pension costs	5,318	3,517
Other employer pension costs	2,728	2,280
Redundancy payments	101	70
Other staff costs	197	210
Apprentice Levy	205	152
	55,029	52,164

During 2018, 8 employees were made redundant, (23 in 2017). In 2018 this was a result of restructuring and operational changes.

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

Veterinary	1,098	1,089
Retail	236	240
Marketing and fundraising	112	107
Other	162	156
Total	1,608	1,592

Employment costs

	2018	2017
The number of higher-paid employees whose emoluments were within the following scales was as follows:		
£60,001-£70,000	19	19
£70,001-£80,000	2	2
£80,001-£90,000	6	5
£90,001-£100,000	1	2
£100,001-£110,000	2	2
£110,001-£120,000	1	1
£140,001-£150,000	1	1

Ten (2017: ten) of the higher-paid staff are members of the charity's defined benefit pension Scheme. Twenty-one are members of the Group Personal Pension (GPP) Plan (2017: twenty-one). Eight of these staff members contribute to the GPP under Auto Enrolment guidelines (2017: seven). Thirteen of the staff members contribute to the GPP by paying contributions in excess of the Auto Enrolment minimum rates (2017: fourteen). Twenty of the higher paid employees are employed in our Veterinary Services team (63%). The total compensation paid to the Executive team in 2018 was £760,000. The highest paid of these was the Director General. The total compensation paid to the Executive team in 2017 was £595,000. Total compensation includes pension contributions.

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

Members of Council do not receive any remuneration.

Travel, accommodation, telecommunications, entertainment and training costs incurred by Council members on charity business are reimbursed or are paid directly by the charity. This amounted to £5,420 during the year for nine Council members (2017: £8,869 for eleven).

6. Fixed assets

£'000

	Assets under course of construction	Freehold land and buildings	Leasehold buildings		Pet Hospital land and buildings		Furniture fittings and equipment	Motor vehicles	Total
			Long lease	Short lease	Freehold	Long lease			
Cost									
At 1 January 2018	393	3,853	402	5,418	32,509	5,253	15,126	124	63,078
Additions	206	-	-	43	22	-	577	242	1,090
Disposals	-	-	(2)	(634)	(234)	(166)	(472)	-	(1,508)
At 31 December 2018	599	3,853	400	4,827	32,297	5,087	15,231	366	62,660
Depreciation									
At 1 January 2018	-	1,381	125	5,047	16,865	2,814	13,542	116	39,890
Charge for the year	-	84	14	193	998	128	716	24	2,157
Disposals	-	-	(2)	(634)	(164)	(145)	(472)	-	(1,417)
At 31 December 2018	-	1,465	137	4,606	17,699	2,797	13,786	140	40,630
Net book value									
At 31 December 2018	599	2,388	263	221	14,598	2,290	1,445	226	22,030
At 31 December 2017	393	2,472	277	371	15,644	2,439	1,584	8	23,188

The difference between the Group and charity fixed assets is the exclusion of the intra-group profit of £1,504,000. The intra-group profit arose from the construction and sale of PDSA Pet Hospital buildings by subsidiaries of the charity. Certain freehold assets are charged to provide security against specific liabilities. The NBV of these assets at 31 December 2018 is £7,548,000 (2017: £7,968,000)

£'000

7. Fixed asset investments Group and charity	Listed investments	Freehold Investment Properties	Total
At 1 January 2018	57,190	2,504	59,694
Additions/transfers in	1,035	3,600	4,635
Withdrawals/transfers out	-	(236)	(236)
Net gains/(losses) on revaluations and disposals	(3,058)	100	(2,958)
At 31 December 2018	55,167	5,968	61,135
At 31 December 2018 and 2017 the charity had the following holdings constituting more than 5% of the portfolio market value		2018	2017
Newton Real Return Fund		13,896	29,254
Standard Life Global Absolute Return Strategies Fund		-	27,936
Schroders Diversified Growth Fund		20,476	-
Investec Diversified Growth Fund		20,795	-
The total of UK listed investments		55,167	57,190

During the year all of the Standard Life Fund and part of the Newton Fund was redeemed and immediately invested into the Schroders and Investec Funds.

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 are valued as at 31 December 2018 at £5,968,000. All properties were revalued in the year. Two properties (total value £1,940,000) were valued by RICS-qualified external valuers in 2017 and the values were reviewed by PDSA RICS-qualified staff in 2018. Three properties (total value £4,028,000) were valued by RICS-qualified external valuers in 2018. Properties are valued at fair value with reference to condition, location and market data.

	Group		Charity	
	2018	2017	2018	2017
8. Debtors				
Due within one year				
Accrued legacies	21,995	19,382	21,995	19,382
Amounts due from subsidiary undertakings	-	-	4,595	2,967
Income tax recoverable	246	344	246	344
Sundry debtors	764	799	476	601
Prepayments	974	1,693	963	1,693
	23,979	22,218	28,275	24,987
Due after more than one year				
Other loans	154	151	-	-
Total	24,133	22,369	28,275	24,987

The charity has received notification of legacies amounting to approximately £12,475,000 (2017: £11,698,000).

This total has not been recognised as income at 31 December 2018, but represents a contingent asset that will be recognised in future years.

The charity has entered into indemnities with executors of wills which allow repayment of legacy income in particular circumstances.

These total £1,072,000 at the end of 2018 and represent a contingent liability.

9. Current asset investments

Group and charity

Interest bearing deposit accounts

At 1 January 2018				19
Increase				-
At 31 December 2018				19

	Group		Charity	
	2018	2017	2018	2017
10. Creditors: amounts falling due within one year				
Trade creditors	2,088	3,080	2,080	3,072
Taxation and social security	1,290	1,119	1,254	1,119
Sundry creditors	581	582	532	454
Deferred income	27	26	-	-
Accruals	3,176	2,457	3,120	2,400
Total	7,162	7,264	6,986	7,045

	£'000	
11. Creditors: amounts falling due after more than one year	2018	2017
Group and charity		
Sundry creditors	6	9
	6	9

12. Provisions for liabilities	2018	2017
Group and charity		
Obligations for dilapidations in respect of rented properties the leases of which expire by 2028		
At the beginning of the year	1,037	622
Change in the year resulting from the number of properties and average projected cost per property	(91)	415
At the end of the year	946	1,037

Obligations for costs following closure of the Pet Practice Scheme		
At the beginning of the year	1,920	-
Charged against provision in the year	(1,279)	-
Unused amounts released in the year	(337)	1,920
At the end of the year	304	1,920

Provision for potential change to VAT recovery calculation method		
At the beginning of the year	1,165	-
Unused amounts released in the year	(1,165)	-
Additions during the year	223	1,165
At the end of the year	223	1,165

Provision for future marketing and professional costs		
At the beginning of the year	500	-
Charged against provision in the year	(500)	-
Additions during the year	977	500
At the end of the year	977	500

13. Analysis of Group net assets between funds

Fund balances at 31 December 2018 are represented by	Restricted	General	Total
Tangible fixed assets	1,670	20,360	22,030
Investments	-	61,135	61,135
Current assets	2,399	29,790	32,189
Creditors – amounts falling due within one year	-	(7,162)	(7,162)
Creditors – amounts falling due after more than one year	-	(6)	(6)
Provisions for liabilities	-	(2,450)	(2,450)
Net assets excluding pension liability	4,069	101,667	105,736
Defined benefit pension Scheme liability	-	(32,100)	(32,100)
Net assets including pension liability	4,069	69,567	73,636

14. Statement of funds	£'000					
	At 1 January 2018	Income	Expenditure	Actuarial/ investment gains	Transfers	At 31 December 2018
General fund	95,440	99,897	(89,205)	13,142	(17,607)	101,667
Unrestricted funds excluding pension reserve	95,440	99,897	(89,205)	13,142	(17,607)	101,667
Pension reserve	(49,700)	-	-	-	17,600	(32,100)
Total unrestricted funds	45,740	99,897	(89,205)	13,142	(7)	69,567
Restricted funds						
Permanent endowment						
A.W. Blackwell bequest	933	-	12	-	(12)	933
Total permanent endowment funds	933	-	12	-	(12)	933
Income funds						
Restricted legacies	577	6,191	(5,754)	-	19	1,033
Digital x-ray – appeal	86	33	(42)	-	-	77
PetWise for Cats programme	241	2	(197)	-	-	46
Manchester PDSA Pet Hospital – capital appeal	338	1,177	-	-	-	1,515
Manchester PDSA Pet Hospital – capital appeal equipment	53	-	-	-	-	53
Nottingham PDSA Pet Hospital – general expenditure	-	354	-	-	-	354
Croydon PDSA Pet Hospital – general expenditure	-	20	(20)	-	-	-
Leeds PDSA Pet Hospital – general expenditure	-	20	(20)	-	-	-
Glasgow Hospital (Shamrock Street) Pet Hospital – general expenditure	-	19	(19)	-	-	-
Aston PDSA Pet Hospital – general expenditure	-	16	(16)	-	-	-
PetCheck Vehicle – general expenditure	-	24	-	-	-	24
Senior Veterinary Nurse costs	-	15	(15)	-	-	-
Veterinary Care Assistant costs	-	16	(16)	-	-	-
Miscellaneous restricted donations less than £15,000	12	281	(259)	-	-	34
Total restricted income funds	1,307	8,168	(6,358)	-	19	3,136
Total restricted funds	2,240	8,168	(6,346)	-	7	4,069
Total funds excluding pension reserve	97,680	108,065	(95,551)	13,142	(17,600)	105,736
Total funds	47,980	108,065	(95,551)	13,142	-	73,636

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

The movement on the pension reserve represents the difference between the payments in the year by the employer towards the liabilities and the actuarial calculations of liabilities under FRS102.

Further information about the nature of some of the other restricted funds above is

- The A.W. Blackwell endowment reduced interest expense by £12,000 by reducing PDSA's overdraft; the income is unrestricted and so is transferred.
- Some legators have specified restrictions for use within a specific geographical location or application. The balance carried forward comprises: Ilford Pet Clinic £377,000, PetCheck vehicle in the West Midlands £25,000, Helmsley/Kirbymoorside £337,000, Bristol £128,000, Aberdeen £84,000, Bishop Auckland £19,000, Isle of Wight £19,000, Aldershot £17,000, and other restricted legacies individually below £10,000.

	£'000	
	2018	2017
15. Related parties		
Sales from PDSA to PDSA Trading Limited		
Allocation of shared staff and overhead costs	5,178	4,836
	5,178	4,836
Sales from PDSA to PDSA PetAid Enterprises Limited		
Allocation of shared staff and overhead costs	197	206
	197	206
Sales from PDSA Trading Limited to PDSA		
Acquisition of donors and administration of the Retail Gift Aid sales Scheme	3,512	3,412
	3,512	3,412
Sales from PDSA PetAid Enterprises Limited to PDSA		
Sale of land for new Pet Hospital build	393	-
	393	-
Amounts owed to PDSA by subsidiary undertakings		
PDSA Trading Limited	3,992	2,675
PDSA PetAid Enterprises Limited	577	266
PDSA Property Services Limited	26	26
	4,595	2,967
16. Capital commitments		
Group and charity	2018	2017
Contractually committed purchases of tangible fixed assets	1,984	228
Purchase of tangible fixed assets authorised but not contracted	1,789	1,939
	3,773	2,167
17. Operating lease commitments		
Group and charity	2018	2017
Total commitments not provided for in these financial statements under non-cancellable* operating leases are as follows:		
Amounts payable		
Within one year	2,450	2,524
Within two to five years	5,076	5,370
After more than five years	1,054	1,446
	8,580	9,340

For retail shops occupied at year end, where the lease has gone beyond renewal date but a new lease has not been formally signed, the lease is assumed to be cancellable with three months' notice, rather than at the next renewal date. 2017 figures have been restated to reflect this.

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 Name	Company number	Activity
PDSA Trading Limited	1595637	Principal activities are the 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 are the construction of new PDSA Pet Hospitals for the charity and commercial veterinary activities

The total taxable profits of the subsidiary undertakings are 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).

	£'000					
	Unrestricted funds	Restricted funds and endowments	Total 2018	Unrestricted funds	Restricted funds and endowments	Total 2017
Total income	91,469	8,168	99,637	88,110	5,109	93,219
Total expenditure	(80,775)	(6,346)	(87,121)	(88,036)	(5,484)	(93,520)
Net gains on investments	(2,959)	-	(2,959)	1,658	-	1,658
Net expenditure	7,735	1,822	9,557	1,732	(375)	1,357
Transfers between funds	(7)	7	-	13	(13)	-
Actuarial gain/(loss) on defined benefit pension Scheme	16,100	-	16,100	5,800	-	5,800
Net movement in funds	23,828	1,829	25,657	7,545	(388)	7,157
Reconciliation of funds						
Total funds brought forward	47,250	2,240	49,490	39,705	2,628	42,333
Total funds carried forward	71,078	4,069	75,147	47,250	2,240	49,490

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	
	2018	2017	2018	2017	2018	2017
Income	14,128	14,603	-	-	1,278	756
Expenditure	(11,263)	(11,813)	(1)	(1)	(1,072)	(545)
Profit/(loss) for the year	2,865	2,790	(1)	(1)	206	211
Gifted to The People's Dispensary for Sick Animals	(2,865)	(2,790)	-	-	(206)	(211)
Retained loss	-	-	(1)	(1)	-	-

Aggregate of the assets and liabilities

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2018	2017	2018	2017	2018	2017
Assets	4,056	2,737	13	14	694	482
Liabilities	(4,049)	(2,730)	(27)	(27)	(694)	(482)
Net assets/(liabilities)	7	7	(14)	(13)	-	-

19. Defined benefit pension Scheme

The Society operates a defined benefit pension scheme that pays out pensions at retirement based on service and final pay. It has applied Section 28 of FRS102 and the following disclosures relate to this standard. It recognises any gains and losses in each period within the Consolidated Statement of Financial Activities under the heading of 'Actuarial gain/(loss) on defined benefit pension Scheme'.

The funding policy is agreed between the Retirement Benefit Plan (1978) (RBP) trustee 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 2017 and showed a deficit of £46.2 million.

A future funding schedule has been agreed with the trustee of the RBP to eliminate the deficit by 31 December 2032. An independent qualified actuary has calculated the RBP liabilities from data provided by the RBP administrators as at 31 December 2017.

Information provided with respect to the active population at 31 December 2018 and cashflow information over the year was provided by the Society.

Following a period of consultation with the active members over proposals to close the RBP Scheme to future accrual, 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 2017 Triennial Valuation of the RBP Scheme, the Society has entered into security arrangements with the RBP trustee to support the deficit recovery plan agreed from the 2017 Triennial Valuation.

Potential exists for increased payments to be made over the lifetime of the Scheme in relation to an issue around the historic execution of deeds. Such payments were not due at the year end and any amounts that are paid in the future may be offset by potential recourse to third parties.

	£ millions	
The amounts recognised in the balance sheet are as follows	2018	2017
Present value of funded obligations	(142.9)	(168.6)
Fair value of Scheme assets	110.8	118.9
Net defined benefit liability	(32.1)	(49.7)

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

	2018	2017
Current service cost	1.1	1.3
Past service cost	1.0	-
Losses on curtailments and settlements	-	-
Scheme administration expenses	0.6	0.4
Net interest on the defined benefit liability	1.1	1.5
Total	3.8	3.2

The amounts recognised in the Consolidated Statement of Financial Activities as actuarial gains are as follows

	2018	2017
Actuarial gains - changes in the present value of the defined benefit obligation	26.9	0.9
Return on Scheme assets excluding interest income	(10.8)	4.9
Total	16.1	5.8
Return on the Scheme assets	(7.9)	7.7

	£ millions	
	2018	2017
Changes in the present value of the defined benefit obligation are as follows		
Opening defined benefit obligation	168.6	168.6
Current service cost	1.1	1.3
Past service cost	1.0	-
Interest expense	4.0	4.3
Actuarial gains	(26.9)	(0.9)
Benefits paid	(4.9)	(4.7)
Closing defined benefit obligation	142.9	168.6

Changes in the fair value of Scheme assets

	2018	2017
Opening fair value of the Scheme assets	118.9	110.9
Interest income	2.9	2.8
Return on Scheme assets excluding interest income	(10.8)	4.9
Scheme administration expenses	(0.6)	(0.4)
Contributions by employer	5.3	5.4
Benefits paid	(4.9)	(4.7)
Closing fair value of the Scheme assets	110.8	118.9

The £5.3 million of contributions by the Society to the RBP were broken down as follows: £0.6 million of standard accrual contributions, £4.0 million of employer deficit recovery contributions, £0.3 million of employer SMART salary sacrifice contributions and £0.4 million in administration expenses contributions. For the year to 31 December 2019, the Society expects to pay approximately £3.3 million benefit accrual (including SMART contributions paid by the Society on the members' behalf), administration expenses and deficit contributions to the People's Dispensary for Sick Animals Retirement Benefits Plan (1978). This assumes that there are no changes to the membership or benefits over the year.

	2018	2017
The major categories of Scheme assets as a percentage of total Scheme assets are as follows		
Equities and property	46.0%	47.0%
Gilts	28.2%	27.6%
Insurance policy	22.9%	24.8%
Other credit	2.6%	0.0%
Cash	0.3%	0.6%

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

	2018		2017	
	Pensioner	Non Pensioner	Pensioner	Non Pensioner
Discount rate (pre-retirement)		2.85%		2.45%
Discount rate (post-retirement)	2.70%	2.85%	2.35%	2.45%
Price inflation	RPI	3.25%	3.20%	3.20%
	CPI	2.25%	2.20%	2.20%
Future salary increases		0.00%		0.00%
Future pension increases	RPI max 5%	3.10%	3.05%	3.05%
	RPI max 2.5%	2.10%	2.10%	2.10%
Cash commutation	All members are assumed to commute the maximum cash amount			
Mortality tables used	S2PA year of birth tables with CMI 2017 projections and 1.25% long-term trend rate and a smoothing factor of 7.5		S2PA year of birth tables with CMI 2015 projections and 1.25% long-term trend rate	
Mortality - current pensioners, male life expectancy at age 65	21.9 years		22.2 years	
Mortality - future pensioners, male life expectancy at age 65 (current age 50)	23.3 years		23.9 years	

