

Trustees' Annual Report and Accounts 2022

Year ended 31 December 2022



Who we are and how we help

Providing treatment to pets and supporting owners who would otherwise not be able to afford veterinary treatment is why PDSA exists.

Our Vision and Mission builds on our past to continue our founder's vital work. Maria Dickin CBE began her mission to end pet suffering in 1917. Today PDSA ensure that people, who through no fault of their own, can't afford veterinary care for their beloved pets, have somewhere to turn for help.

The following pages focus on what we are already doing to keep people and pets together, as well as looking ahead to ensure how we'll have an even bigger impact on those that we help.

Vision and Mission

PDSA has always believed that everyone, no matter what their financial circumstances, has the right to experience the love and companionship of a pet.

And every pet deserves to lead a happy and healthy life.

We keep pets healthy and protect the special bond between pets and their owners.

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In this report, we will outline the organisation's objectives, 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.



Chair's letter

The year continued to be a challenging one. It was not until the middle of the year that Covid restrictions in our Pet Hospitals were fully lifted, and our staff were able to return to a slightly more normal way of working.

A new challenge began to emerge as the impact of multiple lockdowns and pandemic uncertainty changed people's approach to work. We have tackled this by increasing our flexibility to allow staff to work when and where works for them.

In particular, the veterinary sector is in the throes of a talent shortage. A significant approach taken by PDSA to solve this key issue has been to reintroduce our Veterinary Graduate Programme, welcoming 20 new graduates directly from Veterinary Schools in September.

All the above has been experienced as we lifted our public benefit back to pre-pandemic levels, helping 390,000 pets and 330,000 pet owners in 2022; set against the most significant rise in cost of living for many years.



Amongst meeting these challenges, we were also able to open our Nottingham Pet Wellbeing Centre. This Centre not only provides services to the people of Nottingham, but also has dedicated training facilities to be used by our partner, the University of Nottingham Veterinary School, as part of their training programme for the profession.

Partnership in the charity sector is increasingly important, avoiding duplication of effort and increasing the value of the donated pound. In 2022, we established a strategic partnership with the RSPCA. This partnership means PDSA taking responsibility for RSPCA clients across the UK as they cease to deliver public-facing veterinary services. By the end of the year, we have achieved the milestone of having PDSA services available to 99% of RSPCA clients impacted by the changes.

At an internal level, we have established two new Directorates. The first, Digital, Data and Technology, focusing on how PDSA should operate in a digital age, ensuring that our technological foundation is secure and will enable us to transform the way in which we operate. The second, Income and Engagement, bringing together the way in which we generate income to maximise the efficacy of all our activities in this area and to ensure our organisation meets the needs of all our audiences.

We became a Real Living Wage employer in 2022 because it is important to us that all of our staff earn a wage that enables them to meet their basic needs, especially as the cost of living crisis continues.

In financial terms, we ended the year better than expected, mainly due to the late lifting of Covid restrictions causing an underspend in certain areas.

Finally, we could not undertake the vital work we do in achieving our purpose without the goodwill and support of so many people; our supporters, our beneficiaries (and their pets), and all our staff and volunteers. To all of you – thank you.

John Miller
Chair

Director General's letter

After two years dominated by Covid-19, it has been wonderful to experience the positivity of our post-pandemic recovery in 2022. However, the year has not been without challenges, many of which we expect to continue into 2023.

A significant focus during 2022 was on investing in our people. Recognising that the recruitment environment is challenging following the pandemic we have focused on retention by listening to the feedback from our staff and volunteers. Making personal growth within the workplace a priority, understanding individuality and individual needs, to make PDSA an employer of choice for our existing and new workforce.

We have continued to work with other animal welfare charities, and I was pleased to announce during 2022, our strategic partnership with the RSPCA which allows us to support those people and their pets who would otherwise have lost charitable veterinary care in their communities. This collaboration means that both charities are able to focus on their core purpose and for PDSA that means we strengthen our position as the vet charity.

Looking forward into 2023, I am excited to continue the journey to deliver our Strategy, which will enable us to achieve our Vision of a society where no pet is denied veterinary care because of their owner's financial circumstances.

We move forward knowing that we are operating in a period of economic uncertainty, which makes the need for sustainable fundraising and income streams more vital than ever before. Our ambition is to become a more audience-led organisation, in which we hope to allow our supporters, volunteers, and beneficiaries to choose how, when, and in what ways they engage and support us.

The cost of running our charity has increased. Some of these rises are due to choices that we have made such as becoming a Real Living Wage employer and others due to things outside of our direct control such as rising inflation, supply chain issues and global events. To mitigate the impacts of these pressures, we have already instigated a review of how we can deliver our services with improved efficiency. The findings from the review will report in 2023 and will underpin our plans to help more people and pets in need with the same resources – making our charitable income stretch further whilst maintaining the quality and scope of our service.

To support these plans we have approved long-term investment in our technology infrastructure, which will enable us to offer new ways for our beneficiaries and supporters to interact with us, as well as driving every-day efficiencies.

In last year's letter, I wrote about the optimism I felt exiting the pandemic and the hope that we could extend our help to more people in financial hardship. I believe that we have achieved that aim despite the turbulence of 2022, and I remain inspired by the commitment, hard work and generosity of everyone who is associated with PDSA – thank you!

I would like to finish by welcoming our new Chair, John Miller. He takes the reins as we move into an exciting period of change that will set the charity on a fantastic course for the future, built on strong foundations.

Jan McLoughlin
Director General

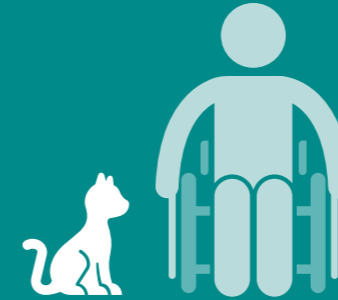


Helping people & their pets

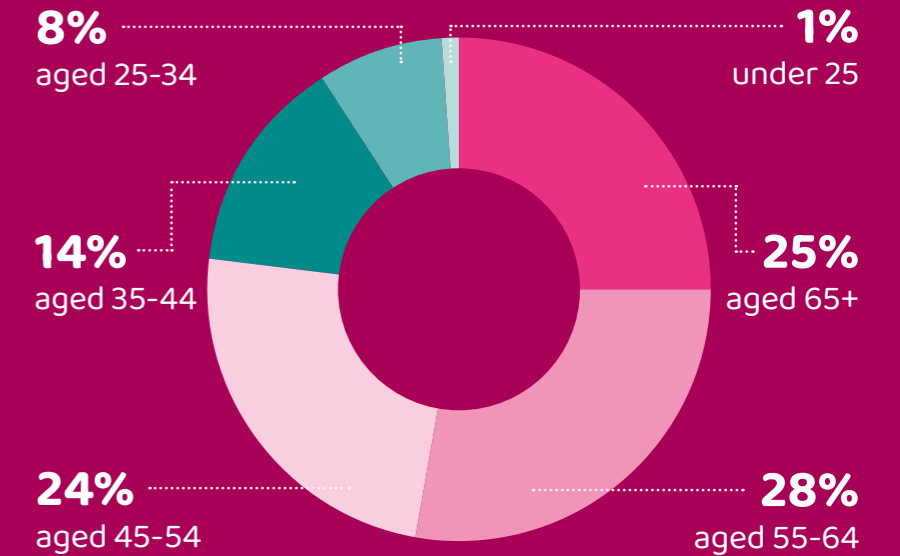
PDSA's year in numbers

37%

of the pet owners we support are **disabled** or living with a serious **health condition** that makes everyday tasks **difficult**.



The pet owners we support are aged



We treated over **390,000** pets.



We treated **10 pets** every minute across our **48 Pet Hospitals**.



We provided **2 million** treatments.



We cared for **4,600 pets** every working day.

That's an average of:



We provided help and advice to over **6.1 million** people through our digital channels.



We saved the lives of **141,000** pets with life-threatening conditions.



We provided **veterinary care** to the pets of over **330,000** people in **financial hardship** across the UK.



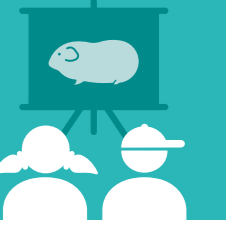
We have **48** Pet Hospitals.



28% of the pet owners we support are **retired**.



We reached over **165,000** children with our **pet education** messages.



We have over **2,200** members of **staff** and **3,000** volunteers.



We are supported by over **1,600 veterinary staff**.

480 vets

440 vet nurses

700 veterinary support staff

We have over **100** Charity Shops.



Our **veterinary services** cost over **£75.4 million** to run.



Our reach and impact

Our work this year

PDSA has been taking care of pets in need for over 105 years. In 2022, vet teams in our 48 Pet Hospitals worked hard to keep people and pets together, **caring for over 4,600 sick and injured pets every working day.**

In 2022, we treated

8,616

pets in **Northern Ireland**

Our Pet Hospitals

During the pandemic, our Pet Hospitals were restricted to emergency-only services. Throughout 2022, we were able to expand the scope of our services across almost all Pet Hospitals and reintroduce preventive services in several, while remaining focused on pets most in need.

In 2022, PDSA provided veterinary care for the **pets of over 330,000 eligible owners**, treating **over 390,000 pets**. This figure includes 4,500 pets who benefited from our Pet Care Scheme and Chronic Voucher Scheme. These schemes continued to help people and pets who need our help but aren't in the catchment area of any of our Pet Hospitals.

We saw an

11% increase

in pet owners **registering for our services** in 2022

In 2022, we treated

39,300

pets in **Scotland**

In 2022, we treated

320,791

pets in **England**

In 2022, we treated

21,316

pets in **Wales**

Frank & Billy's story

Seven-year-old rescue dog Billy is credited with transforming the life of his owner Frank Menzies after the 58-year-old suffered two major heart attacks. Now, with the help of our vets, Frank has returned the favour. Curious Jack Russell, Billy, scavenged fragments of a chicken bone from a local barbecue and attempted to swallow them. His owner Frank rushed him to Brighton PDSA Pet Hospital, where the bone was removed safely. Frank said,

“ My circumstances changed dramatically, and pretty much overnight when I had my heart attacks; the doctor told me that I had to give up work. With the rising cost of living and everything going up, it is a weight off my mind to know that I can rely on PDSA to help Billy should anything go wrong with him. ”



Expanding our reach

Nottingham PDSA Pet Wellbeing Centre

In October 2022, we celebrated the opening of our brand-new Nottingham PDSA Pet Wellbeing Centre.

The Centre was relocated across the city to ensure those most in need were able to access our services. It will help train and educate the next generation of veterinary surgeons through its links with The University of Nottingham. It houses a large, dedicated training room, especially for veterinary students.

The new Centre will allow us to

double

the number of veterinary students we can support.



The Pet Wellbeing Centre, which carries the name *The Marian and Christina Ionescu Hospital* to acknowledge our generous supporters, has a bigger, brighter waiting area, with separate areas for cats and dogs. It was specifically designed by PDSA to help make visiting the vet a stress-free experience. It also contains improved kennel facilities to help give pets a more comfortable recovery after surgery.

The facility features eight spacious consulting rooms, a remote consultation room – a first for PDSA, two operating theatres, a diagnostic room, digital x-ray facilities, the latest diagnostic and surgical equipment, and a bigger car park to allow easier access for pets and their owners.



Strategic partnership with RSPCA

In 2022, RSPCA announced that they were focusing on their core purpose of supporting animals suffering from neglect or cruelty. Therefore stopping subsidised public-facing veterinary services in their animal hospitals in Greater Manchester, Birmingham, Finsbury Park and Merthyr Tydfil. In response, PDSA created a mutually beneficial long-term strategic partnership with RSPCA. A key objective of this partnership was the commitment of PDSA to support those RSPCA clients and pets who were losing charitable veterinary services in their communities.



To achieve this we expanded the catchment area of Manchester PDSA Pet Wellbeing Centre to include an additional 14 postcodes and Aston PDSA Pet Hospital by one additional postcode. This allowed us to offer our veterinary services to former RSPCA clients in these areas. In Cardiff, our current Pet Hospital was also able to support a small proportion of clients from the RSPCA Merthyr Tydfil clinic.

For clients who were not in a PDSA Pet Hospital postcode catchment, we offered support indirectly by providing alternative services such as PDSA Pet Care, Chronic Care Vouchers or access to an Emergency Treatment Fund provided through private veterinary practices. A joint £1 million fund supported by both PDSA and RSPCA was set up to support the latter two of these schemes. Our team went on to recruit a number of private veterinary practices in the Greater Manchester and South Wales areas to cover these out-of-catchment clients. **The additional postcodes and schemes enable 99% of former RSPCA clients affected to access PDSA support for their pet.**

In North London, our original intention to purchase RSPCA's Finsbury Park Animal Hospital was deemed unviable. Therefore, RSPCA postponed their plans to close public-facing veterinary services from this location in the short term while a new solution is defined.

Expanding our Retail estate

We continued to grow our reach within our communities with the expansion of our Retail estate. We opened seven new shops across the UK in Falkirk, Openshaw, Newark, Sherwood, Redcar, Keynsham and Edinburgh.

Photo: From left to right – Vet Sarah Brown, Chair John Miller, Director General Jan McLoughlin, and Danyl Johnson from PPL

Karen & Raven's story

Seven-year-old Japanese Akita, Raven, was one of the first pet patients to be treated at our new Nottingham PDSA Pet Wellbeing Centre when her loving owner Karen brought her in as she had been unwell for a couple of days. Karen said,

“Thankfully, I'm eligible for PDSA's services which meant Raven could get the treatment she needed. I was so happy with the service the team at Nottingham provided, and I think the new facility is lovely, bright and spacious. It felt fresh and inviting; I'm really impressed! Especially with the separate cat and dog waiting for areas – that will really help to keep pets calm when they have to visit the vets.”



Next steps

- ➔ Invest in our Pet Hospital network to ensure it remains fit for purpose, so that our Pet Hospitals are equipped to provide the best treatment to as many pet patients as possible.
- ➔ Optimise our Pet Hospital operating model, embracing the digital changes we have delivered since the pandemic, increasing efficiency and continuing to expand our scope of service to an optimal level of treatment and preventive services.
- ➔ Find and implement a long-term, sustainable solution to provide charitable veterinary care for previous RSPCA clients in North London.
- ➔ We will continue to expand our Retail estate at an appropriate rate, focusing on areas where we can more greatly amplify our community presence.

Engagement and influence

Making PDSA better known, loved and understood

PDSA does not receive any money from the government or National Lottery funding; we are entirely funded by public support.

During 2022

We launched our Cost of Loving integrated campaign. This campaign trialled the use of aligned messaging and advertisements across different marketing channels and areas of PDSA, including our charity shops and Pet Hospitals. This included utilising our social media channels and PR activity to widen our reach and communicate PDSA brand messages.

We saw an 8% net increase in those that would consider donating to PDSA after seeing the adverts that were created as part of our Cost of Loving integrated campaign. These adverts were different to previous marketing materials; they focused on people and their pets, rather than being solely focused on pets.

As part of our new Cost of Loving integrated campaign, we developed a refreshed approach that incorporates PDSA's wider messaging to New Business and Community Corporate activity.



Our largest partnership is with Royal Canin – a global leader in tailored health and nutrition products for dogs and cats – who we are working with to improve nutrition and welfare for the UK's pets through a series of campaigns and promotions. Our annual Weigh Up campaign, which tackles the growing problem of pet obesity in the UK, is proudly supported by Royal Canin.








People's Postcode Lottery

We're incredibly grateful for the generous support we have received from players of People's Postcode Lottery since 2013. In 2022 we received a total of **£3 million**, and as of December 2022, the total funding we have received reached an incredible **£16,677,124**.



The support from players of People's Postcode Lottery has enabled us to:

<p>Support 20 newly graduated vets on our training scheme.</p> 	<p>Provide vital antibiotics to treat over 65,000 pets.</p> 	<p>Investigate and/or treat lumps and masses for over 3,500 pets.</p> 
<p>Provide advice to 3.8 million unique visitors to our online Pet Health Hub.</p> 	<p>Provide over 85,000 pets with essential pain relief to prevent suffering.</p> 	<p>Put 18 Veterinary Care Assistants through year one of their three-year Apprentice Veterinary Nurse training programmes.</p> 

Our people and our culture

Supporting our people

Our people are our greatest asset and are central to PDSA's ability to deliver veterinary services and raise funds. During 2022, we continued to invest in our people, working with leaders to ensure that our culture enables all colleagues to feel supported and accepted in the workplace. This made sure that our people practices enable everyone to explore what they personally need to get the most from work.

PDSA's Equity, Diversity and Inclusion group have influenced the focus on inclusion across the whole workforce with the personal growth agenda delivering a veterinary skills framework to help support our clinical teams' development following the pandemic.

Our approach to financial wellbeing meant that in 2022, we committed to paying the Real Living Wage and brought pay reviews forward to help with the cost of living. We also introduced new financial support tools, such as our partnership with Transave, which offers employees salary-deducted savings accounts and ethical, affordable loans.

Volunteers

We were delighted to welcome volunteers back into our shops, hospitals and offices throughout 2022 following the pandemic. Volunteering at PDSA is a partnership where we aim to provide many opportunities for people to grow and develop. We have introduced a new lead volunteer recognition programme which has seen our people develop their skills and continue their journey with PDSA, potentially progressing into paid Assistant Shop Manager roles.



Liam's story

Lead Volunteer at our Bramley PDSA shop

Liam is one of our fantastic Lead Volunteers and has been at our Bramley PDSA shop since October 2021.

“As a proud owner of cats, the cause is certainly close to my heart. From visiting the Pet Hospitals with my own pets, I realised how important the work of the PDSA is, and I felt inspired to help – which is why I looked into volunteering some of my time at one of their shops! PDSA is a great place to be, no matter your age, level of experience, or the amount of time you have to spare. Get involved – you won't regret it!”



Hester Stephens

Graduate Vet at Stoke PDSA Pet Hospital

Hester Stephens is a graduate veterinary surgeon working at our Stoke PDSA Pet Hospital.

“Being a new graduate at PDSA has been a wonderful experience so far. The job allows such brilliant exposure to a variety of cases – we see something new every day, and I couldn't ask for better support from the team here. This is the most ideal job for a new graduate.”

Nurses Shauna & Nina carrying out a consultation



Preventing problems

The 2022 PDSA Animal Wellbeing (PAW) Report

Our PAW Report is the UK's largest assessment of pet wellbeing. It provides companion animal welfare surveillance to identify trends and priorities and to promote and monitor change. Since 2011, we have surveyed more than 90,000 pet owners, vets, vet nurses, and children to help understand how owners are providing for the Five Welfare Needs of dogs, cats and rabbits.

The PAW Report allows us to track trends and gain insight into animal welfare issues, estimate pet population numbers and understand how people care for their pets. Produced in collaboration with

YouGov, the findings are used to stimulate collaborative working, inform government research, policy and legislation, and inspire innovative approaches to tackling pet wellbeing issues in sector collaborations and veterinary clinical practice.



In 2022, we continued to track the effects of the pandemic and assessed the impact of developing issues such as the growing cost of living crisis.

Our PAW Report statistics are often used within the press, positioning us as an expert and voice of authority in the pet welfare sector.

Key findings from the 2022 PAW Report:

10.2 million
pet dogs are living in the UK.

27%
of UK adults own a dog.

11% of dogs
are showing signs of distress when left alone.

45% of owners
have concerns about walking their dogs.

6% of dogs
are acquired from abroad.



11.1 million
pet cats are living in the UK.

24%
of UK adults own a cat.

30% of cats
are afraid of fireworks.

44% of owners
report their cats are showing signs that may be indicative of stress.

89% of cats
have been neutered.



1 million
pet rabbits are living in the UK.

2%
of UK adults own a rabbit.

46% of rabbits
live alone.

78% of owners
said owning a rabbit improved their mental health.

76% of owners
said owning a rabbit made them less lonely.



65% of owners
said that owning a pet improves their physical health:



85%
of dog owners



44%
of cat owners



47%
of rabbit owners

94% of owners
said that owning a pet makes them happy:



95%
of dog owners



93%
of cat owners



91%
of rabbit owners

Educating UK pet owners

As part of our Mission, we provide free pet welfare advice and practical preventive support to owners via our Pet Health Hub to help combat the unnecessary illness, pain and suffering of pets.

Written by PDSA vets and nurses, our Pet Health Hub contains trustworthy information and advice about the most common conditions in dogs, cats, and rabbits. In 2022, we created 30 new educational pet health videos containing guidance on how to care for pets, to help us support more owners.

During 2022, **3.8 million** people visited the **Pet Health Hub** and our videos were viewed

104,000

times, generating **46%** of our total website traffic.

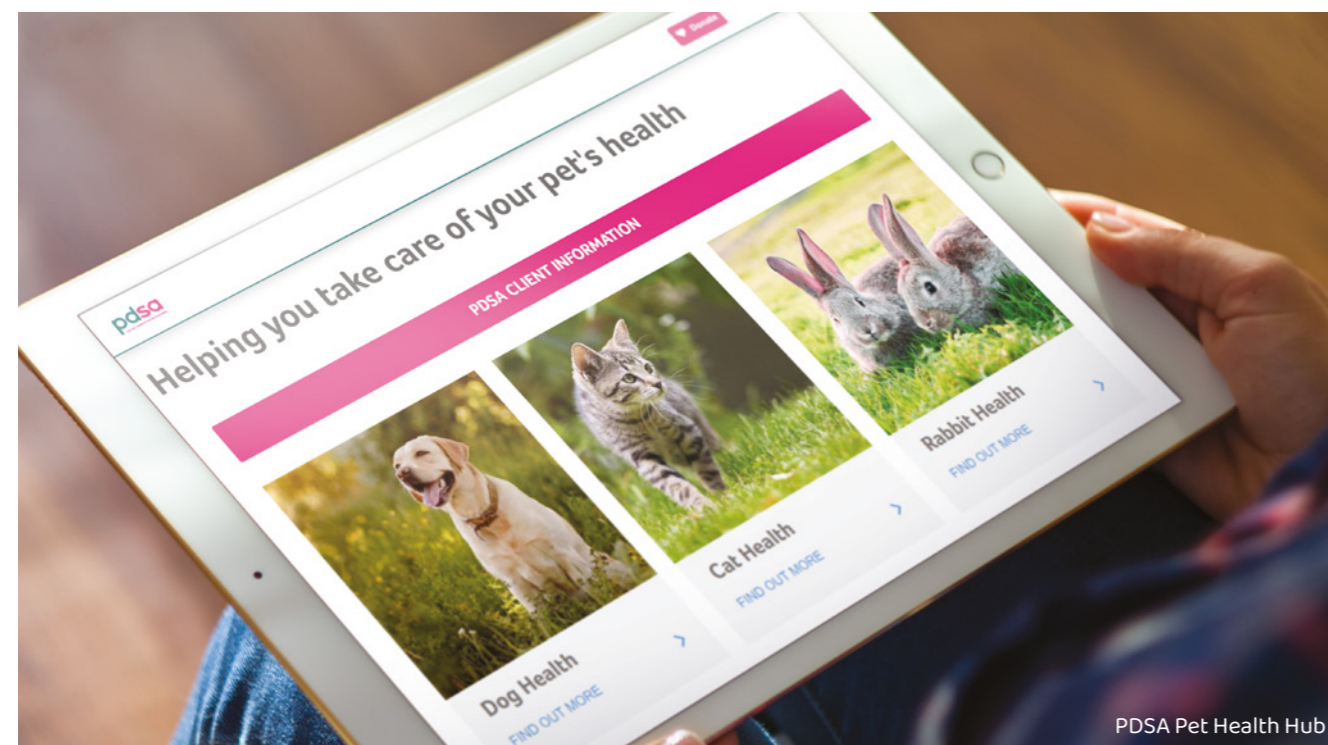


Our Pet Health advice – fronted by PDSA vets and nurses – was a popular topic within the press. Content was also shared across our social media channels to raise awareness of pet welfare issues, establishing PDSA as an expert and voice of authority in the pet welfare sector and driving traffic to the Pet Health Hub for 'further advice'.

Our contribution to animal welfare

In an effort to make a recognisable contribution to animal welfare awareness and legislation, we worked with different campaign groups throughout 2022. These activities include:

- Working with the Brachycephalic Working Group to support and press for positive change for the health and welfare of brachycephalic (Flat-faced) dogs.
- Supporting the Dogs Die in Hot Cars and on Hot Walks message.
- Working with Merseyside Dog Safety Partnerships to educate the public about dog welfare and behaviour.
- Supporting CatKind by working with a group of animal welfare charities to encourage neutering in cats to take place at the standard age of four months.
- Using data from our PAW Report, our work continued with the Pet Advertising Advisory Group (PAAG) to improve the welfare of pets being sold online, tackling the problem of fraudulent and low-welfare breeders hiding behind online sales.
- Working collaboratively with a coalition of organisations dedicated to tackling the Puppy Trade to raise awareness of the issue with the pet-owning public and the government.
- Chairing the Federation of Veterinarians of Europe's (FVE) Animal Welfare Working Group and oversaw Strategy development and launch of the first animal welfare Strategy for the veterinary profession in Europe.



PDSA Pet Health Hub

Digital, Data & Technology

Our team has further extended its capabilities, simplifying and speeding up access to services, followed by a whole organisation review that has led to the creation of our first-ever Digital, Data and Technology Strategy. We will ensure the digital offer is designed together with our clients, putting them at the heart of everything we do.

We continue to fulfil our commitment to keeping PDSA colleagues and the public safe and secure in using our technology and have completed a programme to strengthen the security of PDSA colleagues' accounts with multi-factor authentication. A wealth of improvements behind the scenes have further enhanced our capabilities, and we have also upgraded systems in our shops and hospitals across the UK, enabling our colleagues to provide services that exceed expectations.



Next steps

- ➔ Further refine and promote the Pet Health Hub content to help and advise more pet owners, engaging them with our work.
- ➔ Use the data from PAW Report to assess welfare impacts on pets and guide our activity to where it can have the most impact.
- ➔ Use the continued support of players of People's Postcode Lottery to continue reaching the pets of owners living in financial hardship.
- ➔ Invest in our plans and progress with foundational work in the technology infrastructure of our organisation.
- ➔ Continue our journey of becoming audience-led and review how we communicate with our supporters in 2023, in order to encourage greater engagement with PDSA.
- ➔ Continue to raise our brand awareness, helping PDSA become a recognisable brand within the pet welfare sector and to the general public.
- ➔ Develop and expand our fundraising activities further, offering supporters a wider range of ways they can raise money for us.

Governance and risk

Administrative details

The People's Dispensary for Sick Animals (PDSA) | Founded in 1917 by Maria Dickin, CBE

Incorporated by Acts of Parliament (PDSA Act 1949, 12 & 13 Geo. 6, Ch. xv) (PDSA Act 1956, 4 & 5 Eliz. 2, Ch.1xvii)
(as amended by the Scheme set out in the Schedule to the Charities (People's Dispensary for Sick Animals) Order 2015)
Registered charity nos. 208217 & SC037585

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

Principal professional advisors

Bankers Lloyds Bank plc, 25 Gresham Street, London EC2V 7HN

Investment Managers Schroder Unit Trusts Limited, 1 London Wall Place, London EC2Y 5AU
Ninety One PLC, 55 Gresham Street, London EC2V 7EL
Partners Group (UK) Limited, 14th Floor, 110 Bishopsgate, London EC2N 4AY

External Auditor BDO LLP, Two Snowhill, Birmingham B4 6GA

Actuaries ISIO Group Limited, 10 Norwich Street, London EC4A 1BD

Solicitors Sacker & Partners LLP, 20 Gresham Street, London EC2V 7JE
Bates Wells & Braithwaite London LLP, 10 Queen Street Place, London EC4R 1BE
Brabners LLP, Horton House, Exchange Flags, Liverpool L2 3YL
Wright Hassall LLP, Olympus Avenue, Leamington Spa, Warwickshire CV34 6BF
Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London EC1Y 4AG
Wilson Solicitors LLP, Alexandra House, St. Johns Street, Salisbury SP1 2SB
DLA Piper UK LLP, Two Chamberlain Square Paradise, Birmingham B3 3AX

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 and set out in the Schedule to the Charities (People's Dispensary for Sick Animals) Order 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 & Wales and the Office of the Scottish Charity Regulator.

Governing body – Council

The Trustees form the governing body of the charity, known collectively as the 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 Committees.

Council approves new Trustees whose appointment is then ratified at a General Meeting. All Trustee recruitment is subject to a rigorous and transparent process. Qualifications for Trusteeship include a commitment to the relief of poverty and to animal welfare, plus specialist expertise or knowledge considered to be of benefit to PDSA. It is the 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.

New Trustees are familiarised with the workings of PDSA, Council Policies & Procedures and Governance. We have a comprehensive Trustee induction programme which includes visits to Head Office, PDSA Pet Hospitals and our Retail shops, along with meetings with Directors and key members of staff.



Willow recovering after surgery

The total number of Trustees is currently 11 and they are listed below along with their committee membership.

Chair

Mr John Smith, FCA
retired 31 December 2022 **F G**

Deputy Chair

Mr John Miller, BSc, MCIPD, AFBPsS
Chair from 1 January 2023 **F G**

Professor Gary England, BVetMed, PhD,
DVetMed, CertVA, DVR, DVRRep, DipECAR,
DipACT, FHEA, FRCVS **A**

Mr Gordon Hockey **G**

Mr David Lister, BA (Hons), Solicitor **F**

Ms Laurie Mayers, BA, MA
retired 9 June 2022 **F G**

Mr David Morgan, BSC (Hons) **F G**

Mr Ian Phoenix **A**

Mrs Carole Pomfret, MA, ACA **F G**

Mrs Mary Reilly, BA (Hons), FCA **A G**

Mrs Alison Tattersall, BA (Hons),
Postgrad Diploma in Marketing **A**

Ms Elizabeth Hutchinson, BA (Hons)
joined 8 July 2022 **A**

Ms Alison Ross-Green FCIPD, BA (Hons)
joined 8 July 2022 resigned 23 March 2023 **A**

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 a range of professional backgrounds who provide valuable experience to guide the charity.

Committees

There are four Committees, and each has specific terms of reference.

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

The Audit & Risk Committee considers risk and internal and external audit matters. 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. This Committee also provides oversight of the Risk Management approach at PDSA.

The role of the Governance & Remuneration Committee includes determining the Remuneration Policy for the whole organisation, and in particular, the total remuneration packages of senior executives which it recommends to Council. It also provides 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 & inclusion.

The Special Purposes Committee approves items relating to property transactions, lease agreements, certain legacy matters and approval of contracts and other specific items as defined in the Terms of Reference. Membership is made up of the Directors. The Chair of Council, the Deputy Chair, the Chair of the Finance & Investment Committee and the Chair of the Audit & Risk Committee receive the agenda and summary of items in advance and can request papers or elect to attend if they wish. Members of Council receive copies of minutes from all meetings of the Committee.

Oversight of the Charity's safeguarding policies, activities and incidents is provided by Trustees. A quarterly safeguarding report is reviewed at each Council meeting.

Charity Governance Code

PDSA remains committed to good governance and the PDSA Council operates under the principles of the Charity Governance Code. Recommendations from within the code have been adopted including:

Trustees normally undertake a regular programme of visits to 'front-line' locations enabling them to lead by example in demonstrating PDSA's values. Site visits were paused during Covid-19 but resumed in 2022 with visits to some of our Pet Hospitals.

Trustees carry out a review of Board effectiveness every two years under the coordination of the Deputy Chair. This review was last conducted in January 2022, and the results were reported to Council. Following the pandemic, there have been fewer opportunities to meet fellow Trustees and other stakeholders, including colleagues within PDSA, and this was noted as an area requiring improvement. The resumption of site visits and face-to-face Trustee meetings will help to address this.

There is a risk management process in place, which is regularly reviewed by Audit & Risk Committee. The Audit & Risk Committee normally reviews significant risks twice per year. In addition to considering the overall risk profile of PDSA, the Committee holds Deep Dives into one or two risks at each Committee meeting where Trustees are able to discuss individual risks with the risk owner in more detail. The Audit & Risk Committee also agrees the Trustees' Risk Appetite statements, which are reviewed and approved by Council.

Trustees have also committed to carrying out a biennial self-assessment of compliance with the Charity Governance Code. This was last carried out in 2021 and will be updated during 2023, and the results will be reported to Council. Members of the Governance & Remuneration Committee receive information on the requirements of the Charity Governance Code including briefings on consultations or changes in relation to the Code and will use the results of the biennial survey to help develop action plans where necessary.

One area where PDSA has decided not to apply the guidance contained in the Charity Governance Code is in relation to the 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. At present, only one of the Trustees has served more than the maximum 12 years of office. Following the retirement of the former Chair of Council, the former Deputy Chair, John Miller, has agreed to serve an additional term of office and will continue as Chair of PDSA for a period of four years.

Remuneration statement

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.

PDSA is a large organisation with over 2,000 employees and the support of over 3,000 volunteers. Working together, it is the combined effort of all our people that delivers our mission of providing compassionate veterinary care in the communities we serve for pet owners who can't afford the care their pets need.

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.

In determining overall pay levels for all our staff 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.

This year has been challenging from a labour market perspective, alongside the national shortage of veterinary surgeons and veterinary nurses, the increasing need to attract and retain talent has been critical in the delivery of our service. We recognise that

pay is only one element but has become an increasing focus as colleagues face into the cost of living crisis. In order to support our colleagues during this time, we brought our pay review in 2022 forward to April from July. In addition, and due to the wage pressures within our clinical roles, we provided a second increase in October 2022 in line with the external benchmarking we had undertaken.

Our Gender Pay Report is available on our website in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. We have seen improvements with the overall difference between men's and women's earnings from 2021 to 2022 with the overall difference at 22.8% (mean) (2021:28.6%) or 29.7% (median) (2021: 36.4%) based on hourly rates of pay at the snapshot date of 2022. We are pleased to see this move in the right direction, and whilst research suggests that fewer men in the lower pay quartiles drive our gender pay gap, we recognise that there is more to do. We are proud to share that our female employees are well represented across all pay quartiles and our Senior Executive Leadership Team is 50% Female.

Environmental statement

PDSA is still committed to reducing our impact on the environment. We are dedicated to reducing our energy, water and fuel use, as well as waste.

Covid-19 changed the way that many of our staff work, and carbon emissions from business travel and commuting were significantly reduced. In 2022, we continued to support our staff, where appropriate, utilising technology and hybrid or remote working roles in the longer term. This has enabled us to achieve a continued reduction in carbon emissions associated with a daily commute.

Energy Use and GHG (KgCO₂e) emissions:

	2022				2021			
	Totals	%	Kg CO ₂ e	%	Totals	%	Kg CO ₂ e	%
Electricity (kWh)	5,356,002	86%	1,062,299	84%	4,586,602	87%	973,873	87%
Gas (m ³)	338,773	5%	60,979	5%	453,264	9%	94,638	8%
Transport (miles)	533,523	9%	133,381	11%	224,840	4%	56,515	5%
Total	6,228,298		1,256,659		5,264,706		1,125,026	
Total Kg CO₂e	1,256,659				1,125,026			
	The total carbon is 1,256,659 Kg CO ₂ e divided by the business metric 2,218 staff.				The total carbon is 1,125,026 Kg CO ₂ e divided by the business metric 2,058 staff.			
Intensity ratio	566.57 Kg CO₂e / staff				546.66 Kg CO₂e / staff			

In 2022, our teams completed a condition survey of all of our mechanical and electrical assets within our Pet Hospitals' environment, in order to understand operating performance and target investment to improve energy efficiency, environmental performance, and sustainability. We identified improvements in our systems, processes and controls to monitor and manage energy usage, to target areas for improvement.

During 2023, we intend to undertake a significant capital works programme to upgrade and refurbish equipment in a number of Pet Hospitals. We will also utilise a number of low-carbon energy technologies such as solar panels, energy-efficient lighting and alike in order to reduce the organisation's carbon footprint. Similarly, the construction of new hospitals will ensure that recognised sustainable standards and methodologies are used in the design and building.

Our methodology for calculating our greenhouse gas impact takes our total energy usage – including electric, gas and bottled gas use, as well as transport – and converts this into our organisation-wide carbon footprint. This figure can then be divided by our total head count for the same period, giving us our intensity ratio.

The figures in the table reflect the challenges associated with the organisation returning to pre Covid-19 levels of activity following the interruptions in 2020 and 2021. It also takes into account changes in the property estate, particularly in Retail with regard to shop openings and closures.

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.

Face-to-face fundraising

PDSA only works with companies and commercial participators of repute and whose activities do not have an adverse impact on the charity's objectives. These relationships are regularly reviewed. Policies and robust processes are in place to ensure those who fundraise on our behalf operate at the highest standards, ensuring that our fundraising is not intrusive or persistent, does not put an individual under undue pressure and protects the vulnerable.

We work with two fundraising agencies who engage the public on our behalf, explaining the impact and benefit of our services and asking for their support through regular donations. We place our fundraisers in private areas such as Retail sites, ticketed events, and shows. PDSA does not conduct door-to-door or street fundraising.

Our dedicated public fundraising manager works alongside our partners to ensure the public enjoy a great experience when engaging with a PDSA Fundraiser. Continuous quality assurance monitoring includes a mystery shopping programme, video observations, call listening, and providing training.

Any complaint or expression of dissatisfaction relating to our face-to-face fundraising is dealt with personally by our public fundraising manager, whilst working closely with our partners. During 2022, we received a total of 44 complaints, 13 of which were regarding face-to-face fundraising. This is an increase on 2021, however with activity in this area increasing during 2022, we would expect to see this proportionate rise in complaints.

Our quality and assurance programme ensures PDSA, and our agency partners, operate at the high standards required by the Fundraising Regulator and Chartered Institute of Fundraising (CioF), whilst being monitored by the Audit and Risk Committee.

We believe that engaging conversations with a fundraiser will continue to play an important part in building public understanding and support for PDSA.



Ed Running the 2023 TCS London Marathon for PDSA



Lily with her owner Jenny

Trustees' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 to disclose with reasonable accuracy at any time the financial position of the charity, and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of The People's Dispensary for Sick Animals Acts 1949

and 1956 as amended by a Parliamentary Scheme and set out in the Schedule to the Charities (People's Dispensary for Sick Animals) Order 2015. The Trustees 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 the legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Executive staff

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

Director General	Jan McLoughlin, MSc, CBIol, MSB, FIoD
Director of Veterinary Services	Richard Hooker, BVMS (Hons), MRCVS
Director of Finance & Resources	Andrew Willetts, BA ACA <i>resigned 11 August 2022</i> David Hammond MBA, FCCA, BA (Hons) <i>from 31 October 2022</i>
Director of People	Karen Hailes, FCIPD Rebecca Tindall <i>from 7 November 2022</i>
Director of Digital, Data & Technology	Matthew Green
Director of Income & Engagement	Nigel Spencer, ACIB, MCIM, MInstF <i>to 31 March 2022</i> Claire Rowcliffe <i>resigned 19 April 2023</i>

During 2022, we appointed a new Director of Finance & Resources following the resignation of the previous Director. Our Director of People is currently absent from PDSA, and we have appointed a colleague from within our People team as Director.

Risk management

PDSA has established management processes to mitigate risks that would prevent us from fulfilling our strategic goals. In particular, the Trustees seek to ensure that:

- risks are identified, assessed, and controls are 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 Executive Leadership Team and Internal Audit department, considers risk in detail. Key risks are considered at each meeting of the Audit & Risk Committee. Audit & Risk Committee ordinarily also conducts a Deep Dive into one or two of the risks. During 2021, the regular cycle of Deep Dives recommenced. Trustees' Risk Appetite is considered and updated annually. The Committee regularly reviews the Risk Management processes in place.



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

Area of risk	How the risk might affect PDSA	Key mitigation plans and strategies
Impact of economic environment	The current inflationary environment is leading to increased costs across a number of key areas, for example, energy costs, and one of our largest cost areas, payroll.	To mitigate this risk, financial forecasts include consideration of potential cost increases (e.g. as a result of increased energy costs). We also work closely with key suppliers to agree on long-term contract prices where possible, in order to provide greater certainty over future costs.
Skills shortages	2022 saw terms like the great resignation being used in the external market as people chose to be more fluid with their career choices – PDSA has not been immune to this and we have seen higher than normal turnover rates through 2021 and 2022.	This remains an area of focus for our planning, and across PDSA we have been looking at how we make work attractive for colleagues, be this through our reward mechanisms or our approach to individuals and flexibility.
Employee wellbeing issues	Wellbeing continues to be an area of focus, with ongoing impacts from the pandemic, and the economic environment leading also to increased financial stress for our people.	We are continuing to progress our Wellbeing Strategy. We already had an Employee Assistance Programme in place, which provides free confidential counselling and advice on a wide range of work and personal issues for employees and their families.
Investment Portfolio	This can be subject to volatility from time to time which can impact the value of PDSA's Reserves.	Our investment Strategy is overseen by the Finance & Investment Committee. Details of our Investment Strategy are set out in the 'Investment' section in our Financial Review overleaf.
Fundraising	Our ability to raise the funds we need to continue our work can be affected by many factors including the impacts of the current economic environment.	We have a broad range of fundraising campaigns, and we are continuing to work to strengthen our digital fundraising activities. In addition, we are testing evaluating our cause position across our campaigns, and integrating our activities where appropriate to do so, this will lead to a more consolidated message to our audiences and raises the person profile in the person/pet relationship, which will make PDSA more appealing to a different audience.
Pensions	Although we have closed our defined benefit scheme to new members and to future accrual, the requirement to fund pension promises could impact our financial position.	There are regular actuarial reviews of scheme performance and, we have agreed the Schedule of Contributions and Recovery Plan with the pension scheme Trustee.

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 & Statements

Headlines

At the end of the year, PDSA's financial position continued to be strong, although, with inflationary pressures and volatility within the economy, we are budgeting for a tougher financial outlook through 2023 which is discussed in our going concern assessment.

As we have emerged into the post-Covid-19 pandemic era, PDSA has not been immune from the financial uncertainty and economic volatility experienced across the country. We had budgeted £6m net operating expenditure for the year, assuming that whilst income would remain static, our charitable activity spend would increase, together with investment to drive future income. In reality, challenges to recruit and retain clinical staff constrained delivery of our charitable activities, whilst investment in face-to-face donor recruitment was limited as pandemic restrictions were lifted. The combined effect of this was to generate an operating surplus of £1.6 million (2021: £13.7m). Significant losses of £5.6 million against our investments have resulted in net expenditure of £4.0 million for the year (2021: £18.7m net income).

Total income increased to £106.6 million this year (2021: £105.4m). Legacy income, our largest single source, remained strong at £51.1 million, after a record legacy income year in 2021 (2021: £58.7m). Our trading income has recovered following the disruption in 2021 when shops remained closed during pandemic restrictions.

We spent £79.3 million on public benefit in the areas of prevention, education and treatment which was £10.1 million (14.6%) higher than prior year (2021: £69.2m). Operating circumstances have remained difficult, but we have maintained treatment as our priority area. This has meant we have had to restrict the number of pets being offered preventive services, although we have been able to provide more preventive activity in 2022. Unfortunately, in these challenging times we have not achieved our ambitions for reach in 2022. However, utilising technology helps us to provide online consultations which were able to replace some hospital consultations. We maintain our aim to increase our public benefit in 2023.

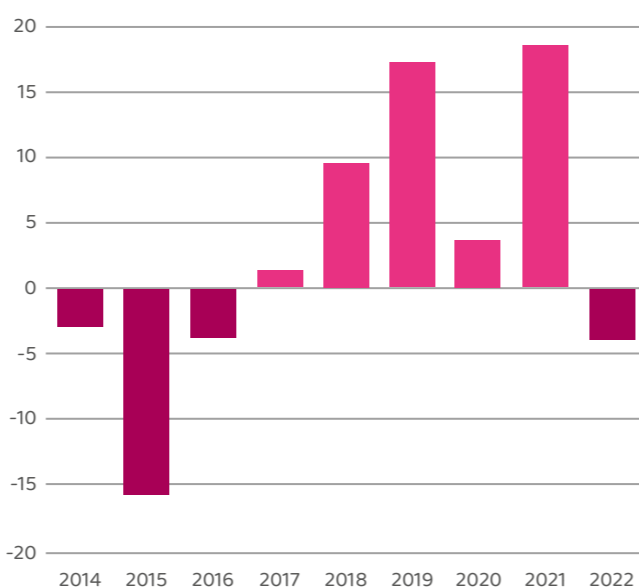
PDSA's investments were impacted by market volatility through the second half of the year, recording a significant loss for the year. Total investment losses were £5.6 million in 2022 representing a loss of 7.2% across our managed portfolio, which wiped out the gain of £5.1 million in 2021. The negative performance of PDSA's investments can be considered in the context of wider financial market performance, with returns of 4.7% and -17.4% in the year for the FTSE 100 and 250 indices respectively, and an average return for the Diversified Growth Funds sector of -5.3% over the 12-month period. Our targeted return is RPI + 3.0%, and the 12-month increase in the RPI index was 13.4%.

Overall, due to the investment losses over the final six months of the year, the 2022 results were significantly lower than 2021: total net expenditure of £4.0 million this year compared to an £18.7 million surplus in 2021.

Excluding investment performance, which is managed separately by our investment advisors and is therefore largely outside of our control, PDSA returned net income of £1.6 million in 2022.

Net income/expenditure

2014 - 2022 (£m)



The accounting for our defined benefit pension scheme always has a material effect on our results. This year there was an actuarial gain of £16.0 million (2021: actuarial loss of £1.8m) which led to a positive net movement in Funds for the year of £12.0 million, from net expenditure of £4.0 million. Actuarial assumptions can vary from year-to-year and the main reason for this year's gain was a significant decrease in the defined benefit obligation due to improved corporate bond yields which drives the discount rate. This was partially offset by a decrease in assets due to asset returns being below what was expected. Over five years, (2018-2022) there has been some volatility in actuarial gains and losses, but overall there has been a gain for the period of £13.6 million.

Income and costs in more detail

We receive no ongoing 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. In 2022, we stopped benefitting from grants received from national and local government to support organisations during the pandemic. In 2021, the income primarily helped to mitigate losses in our trading activities, but 2022 returned to an element of normality, albeit that our Retail shops reopened at differing rates over the four nations of the UK.

The income we receive from donations and legacies forms the largest portion of our overall income and we need to spend on marketing and management in this area to attract supporters and protect future revenue. We ensure that we invest carefully and cost-effectively to generate awareness and income

both in the short and longer-term. The table below shows that the cost of raising donations and legacy income overall from our supporters was increased from 10p per pound (£) in 2021 to 13p per pound in 2022.

Legacies continue to be our most important source of income, generating £51.1 million (2021: £58.7m). Legacies provided 63% of our net income available for charitable activities (2021: 69.1%). The post pandemic reopening of Retail shops, together with an increase in the number of pets that we were able to treat in 2022 as our hospitals welcomed patients in greater numbers, drove income across these streams. This reduced the proportion of our funding from legacies. Our longer term Strategy aims to invest in growing our legacy donations, while also seeking to broaden income from other sources. We plan to do this by growing our supporter base, through promotion and using innovative approaches to generate donations; we also aim to grow trading income in Retail through expansion of the Retail estate.

We offer services to our clients in addition to free treatment, and this charitable trading is an important income stream and one we aim to grow. This year, our concessionary (low-cost) service sales were £7.9 million compared to £6.2 million in 2021, 27% higher. As described above, we have been slowly building back our preventive services over the year, resulting in income being £4.4 million (2021: £2.5m), 76% higher than 2021.

Other trading net income includes gaming products, sales from our Retail division (donated and new goods) and miscellaneous sales, commissions and licensing income. PDSA Trading Limited provides almost all trading income, excluding donated goods, which are sold by the charity; this subsidiary's full results can be seen in the notes to the financial statements.

	2022		2021	
	£ MILLION	COST/£	£ MILLION	COST/£
Donations and legacy net income	63.5	0.13	71.5	0.10
Other trading net income	3.7	0.81	(0.4)	1.03
Asset-related net income	1.3	0.04	1.3	0.06
Grant Income	-		1.8	
Charitable trading gross income	12.3		8.7	
Net income available for charitable services	80.8	0.27	82.9	0.23

*Asset-related net income is investment income and gains on disposals of fixed assets.

Our Retail activities provide the largest proportion of trading income. We remain one of the largest Retailers in the very competitive charity Retail sector, and in line with our corporate Strategy, 2022 saw us begin to expand our Retail estate through the opening of seven new shops and the relocation of three others. Shop openings in the year fell just short of our original intention to open 15 new shops, but our ambitious plans for 2023 include seeking to open a further 30 shops in addition to the eight shops that we intended to open in 2022. Online sales through our E-Commerce and eBay routes continued through 2022, and this area will form a key focus as we move into 2023.

Retail trade remains buoyant, with donated goods sales increasing by 45% year-on-year. Trade is approaching the level that we experienced prior to the Covid restrictions in 2020, and we aim to build on this through 2023 with our 38 shop openings. New goods sales continued to grow, increasing by 33% over 2021. This was boosted by online sales, although we acknowledge that this is an area where there is potential for further growth, and we will be seeking to expand our E-Commerce offering through 2023 and beyond.

The costs of generating income in Retail remains high, with much fixed cost and rising overheads in light of inflationary pressures. We don't expect these pressures to ease in 2023, but nevertheless, our Retail estate remains central to our Strategy, and we are

committed to investing within our shop expansion through 2023.

Our pet insurance products provided a significant increase in net income in 2022 as we transitioned from our outgoing provider to our new Petsurance partner, Cardif Pinnacle. From 2023, we will be seeking to build the product's client base and we therefore expect a net expenditure position next year for our Petsurance income stream, as we invest in building a sustainable, robust customer base for the future.

The People's Postcode Lottery again provided generous support in 2022. A £3 million donation (2021: £3m) was used by our veterinary services team to expand our scope of service. Our strong partnership with the players of People's Postcode Lottery continues in 2023 and we are grateful for their ongoing support.

We organise our public benefit expenditure into three areas. The largest is for treatment at Pet Hospitals and contracted services that increased to £75.4 million (2021: £66.2m). This activity includes substantial fixed costs. Our preventive service spend increased this year to £2.8 million (2021: £1.9m) as we expanded our service post Covid restrictions. The amount we spend on education and responsible pet ownership can vary based on the specific activities we undertake and was £1.1 million (2021: £1.1m).



Sunny with his family

Investments

At the end of 2022, our investments totalled £72.4 million (2021: £77.4m). Our investments suffered losses of £5.6 million over the second half of the year as the financial market volatility hit the portfolio. We primarily hold an investment portfolio of externally managed investment funds, along with some investment properties managed by the charity.

The day-to-day management of the investment portfolio is delegated 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.

The Society's investment Strategy focuses 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. We are currently reviewing our investment principles, with a particular focus on the current risk profile and potential returns within this high inflationary environment.

We spread our investment holdings across three investment managers and invest in funds rather than direct investments. Broadly, our intention is to hold 37.5% each in both Schroder Unit Trusts and Ninety One, and the remaining 25% in Partners Group (UK). Funds provide greater stability than direct market investments and are sufficiently liquid to meet 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 £5.6 million on our investment portfolio (2021: £5.1m gain).

Given the ongoing conflict in Ukraine, the Society and its investment managers have been ensuring that the level of exposure to Russian investments in each of the three funds is nil or negligible.

Investment properties are revalued each year. The value at 31 December 2022 was £5.9 million (2021: £6.2 million).

Reserves

The Executive and Council considers reserves regularly as part of its business planning process. It seeks to ensure that sufficient reserves are available to fund planned activity and public benefit levels agreed in the Business Plan, to be responsive to unforeseen and unplanned activity and to protect

PSDA 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 scenario and contingency planning to determine the potential impact on the level of reserves of defined risk factors. Our contingency strategic 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 £45 million to £60 million. This may be subject to any changes in Policy as a result of the Investment Strategy Review. The policy should allow continuity for a minimum period of 18 months and for a maximum of three years. During this period the charity would aim to stabilise itself and become sustainable for the future.

Free reserves

£ millions	2022	2021
Total charity funds	107.1	95.1
Pension reserve	22.5	41.1
Endowment funds	(0.9)	(0.9)
Restricted funds	(2.2)	(4.0)
Unrestricted funds	126.5	131.3
Pension funding commitments	(32.9)	(36.3)
Carrying value of functional assets	(22.6)	(21.5)
Legacy contingent asset	15.0	11.3
Free reserves	86.0	84.8

At 31 December 2022, the charity had free reserves of £86.0 million (2021: £84.8m), as calculated in the table above which shows that reserves have increased by £1.2 million. 2022 yielded better than originally expected financial results – income was higher than we initially expected, whilst expenditure across 2022 was lower than planned, resulting in the £1.6 million net operating income for the year. However, this was more than offset by the £5.6 million losses against our investments. Our legacy contingent asset has increased by £3.7 million and there is an improvement

in our pension funding commitments. In combination, these factors have meant that free reserves increased, and remain beyond the reserves range set by Council.

In considering the reserves level, Council recognises that our final projections for 2023 and 2024 (detailed below in Going Concern) mean that reserves will reduce as the charity seeks to maintain our public benefit whilst absorbing inflationary pressures across the cost base. In addition, significant capital investment has been approved across our properties, IT and data infrastructure, to help establish a solid base for the future. Furthermore, some of the income we raise in each year is earmarked for future spending, though it is not formally restricted, for example the net surpluses from the People's Postcode Lottery which we agree to spend on specific projects in the subsequent year. We forecast that free reserves will fall to be closer to the range set by Trustees by the end of 2024 through the planned net expenditure positions.

The pension funding commitment represents the cash value of payments scheduled to August 2032 for the defined benefit pension scheme; the legacy contingent asset represents 80% of the value of the legacy pipeline.

The total funds of the Group at the end of 2022 were £107.1 million (2021: £95.1m). Of these funds, £3.1 million were restricted income funds or endowments (2021: £4.9m).

Our investment funds have sufficient liquidity to provide the flexibility to manage any potential downturn in income: access to the two larger funds is a matter of days and for the other within two to three months.

During the year, the charity renewed its £10 million unsecured overdraft with Lloyds Bank plc. We have proactively utilised this facility over the second half of the year, as a more cost effective alternative to drawing down against our investments. As our investments recover in value through 2023, we will seek to rebalance our cash holdings and reduce the overdraft usage. The overdraft facility was renewed in June 2022, and we expect the arrangement to continue through 2023.

At the date of signing, our most recent calculation of free reserves stood at £83.5 million. We have considered future activities and outlook and have created financial projections accordingly. Our current view is that our free reserves could reduce to £63 million by December 2024, which is above the upper end of the Reserves Policy range set by Trustees.

Going concern

The Executive and Council regularly reviews financial performance, forecasts and projections, taking account of the potential impact on future public benefit and this is an important element of Group financial management.

The Group had investments with a value of £67 million at 28 February 2023 that are sufficiently liquid to be realised quickly (two funds have daily access, the third within a month). This gives the Group significant headroom in the cash flow forecasts. As a precaution the Group will also renew its overdraft facility from 1 July 2023.

Trustees have reviewed projections of cash flow and profitability for the period to December 2024 considering a range of scenarios and sensitivities to income and costs, over the short to medium term as we manage business performance.

After considering the projections of cash flow and profitability and the ability to liquidate the investment portfolio to support cash balances, the Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future, which is a period of at least 12 months from the signing of the accounts and audit report. They therefore consider that it is appropriate for the financial statements to be prepared on the going concern basis.



Patch and his owner Geoffrey

Pension Plans

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

The defined benefit pension scheme has been closed to new employees since 2006 and since April 2019 has been closed to future accrual. The GPP Plan was opened in January 2008 for new and existing employees. The charity is committed to ensuring it will continue to offer suitable pension benefits for employees.

The RBP scheme had a deficit, as calculated under the provisions of FRS 102, of £22.5 million at 31 December 2022 (2021: £41.1m). The latest triennial actuarial valuation was carried out as at 31 December 2020 and this showed a deficit of £55.4 million. Revised deficit funding contributions were agreed between PDSA and the RBP Trustee in December 2021.

These liabilities have been revised to reflect some key assumption changes: a significant decrease in the defined benefit obligation due to a rise in corporate bond yields which drive the discount rate. This gain has been offset by a decrease in assets due to asset returns being below what was expected. The next triennial valuation of the Scheme is due at 31 December 2023.

The Plan held a number of investments at 31 December 2022 at fair value. As a result of economic uncertainty due to current geopolitical uncertainties, we would expect the value of the Plan's assets to have reduced since the balance sheet date. Similarly, since the balance sheet date, the Plan's liabilities would be expected to reduce due to an increase in corporate bond yields over the period, although this reduction has been offset to an extent by a rise in inflation expectations since the balance sheet date.

Approved by Council and signed on its behalf by:

John Miller, Chair
16 June 2023



Independent Auditor's Report to the Trustees of the People's Dispensary for Sick Animals

Opinion on the financial statements

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 2022 and of the Group's/its 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 regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended and the People's Dispensary for Sick Animals Acts 1949 and 1956.

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 2022 which comprise the consolidated and parent charity statement of financial activities, the consolidated and parent charity balance sheets, 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).

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 section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

Conclusions related to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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. 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 themselves. 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 (Accounts and Reports) Regulations 2008 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion;

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is inconsistent in any material respect with the financial statements; or
- adequate and 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 determine 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 151 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.

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group's/Charity's and the sector in which it operates;
- Discussion with management and those charged with governance including the Audit & Risk Committee;
- Obtaining and understanding of the Group's/Charity's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005, regulation 6 and 8 of the Charities Accounts (Scotland) regulations 2006, as amended, Peoples Dispensary for Sick Animals Acts 1949 and 1956, UK GAAP, Charities SORP, Fundraising legislation and UK tax legislation.

The Group/Charity is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be employment law, health and safety legislation and data protection.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation.

- We reviewed the Fraud log and Serious incident log submitted to the Audit & Risk Committee which includes instances of fraud and non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance, Audit & Risk Committee and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's/ Charity's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Review of the Fraud log and Serious incident log submitted to the Audit & Risk Committee which includes instances of fraud and non-compliance with laws and regulations;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias, including the defined benefit scheme valuation (FRS 102 Section 28), accrued legacy income and provisions.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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: 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.

Kyla Bellingall

Kyla Bellingall
BDO LLP, statutory auditor
Birmingham

29 June 2023

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	Unrestricted Funds	Restricted Funds and endowments	Group £'000		Unrestricted Funds	Restricted Funds and endowments	Group £'000
			Total 2022	Total 2021			
Income and endowments from	Note						
Donations and legacies	2	66,280	6,997	73,277	73,832	5,940	79,772
Grant income	2	-	-	-	1,826	-	1,826
Other trading activities	2	19,678	-	19,678	13,674	-	13,674
Charitable trading activities	2	12,295	-	12,295	8,741	-	8,741
Investments	2	1,003	-	1,003	1,063	-	1,063
Net gain on disposal of fixed assets		395	-	395	305	-	305
Total income		99,651	6,997	106,648	99,441	5,940	105,381
Expenditure on raising funds							
Donations and legacies	3	9,779	-	9,779	8,321	-	8,321
Other trading activities	3	15,941	6	15,947	14,073	1	14,074
Investments	3	50	-	50	82	-	82
Total expenditure on raising funds		25,770	6	25,776	22,476	1	22,477
Net income available for charitable activities		73,881	6,991	80,872	76,965	5,939	82,904
Charitable activities							
Treatment at Pet Hospitals and by contracted services	3	68,784	6,631	75,415	61,805	4,424	66,229
Education: responsible pet ownership	3	1,058	-	1,058	1,106	-	1,106
Preventive services	3	2,829	-	2,829	1,902	-	1,902
Total expenditure on charitable activities		72,671	6,631	79,302	64,813	4,424	69,237
Total expenditure		98,441	6,637	105,078	87,289	4,425	91,714
Net (losses)/gains on investments	7	(5,580)	-	(5,580)	5,058	-	5,058
Net (expenditure)/income		(4,370)	360	(4,010)	17,210	1,515	18,725
Transfers between funds	12	2,103	(2,103)	-	2	(2)	-
Actuarial gain/(loss) on defined benefit pension scheme	17	16,000	-	16,000	(1,800)	-	(1,800)
Net movement in funds		13,733	(1,743)	11,990	15,412	1,513	16,925
Reconciliation of funds							
Total funds brought forward		90,197	4,863	95,060	74,785	3,350	78,135
Total funds carried forward	12	103,930	3,120	107,050	90,197	4,863	95,060

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

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

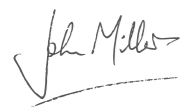
For the years ended 31 December	Unrestricted Funds	Restricted Funds and endowments	Charity £'000		Unrestricted Funds	Restricted Funds and endowments	Charity £'000
			Total 2022	Total 2021			
Income and endowments from	Note						
Donations and legacies	2	70,860	6,997	77,857	76,760	5,940	82,700
Grant income	2	-	-	-	1,826	-	1,826
Other trading activities	2	13,865	-	13,865	9,769	-	9,769
Charitable trading activities	2	12,295	-	12,295	8,741	-	8,741
Investments	2	993	-	993	1,057	-	1,057
Net gain on disposal of fixed assets		395	-	395	305	-	305
Total income		98,408	6,997	105,405	98,458	5,940	104,398
Expenditure on raising funds							
Donations and legacies	3	9,778	-	9,778	8,319	-	8,319
Other trading activities	3	14,709	6	14,715	13,053	1	13,054
Investments	3	50	-	50	82	-	82
Total expenditure on raising funds		24,537	6	24,543	21,454	1	21,455
Net income available for charitable activities		73,871	6,991	80,862	77,004	5,939	82,943
Charitable activities							
Treatment at Pet Hospitals and by contracted services	3	68,774	6,631	75,405	61,797	4,424	66,221
Education: responsible pet ownership	3	1,058	-	1,058	1,106	-	1,106
Preventive services	3	2,829	-	2,829	1,902	-	1,902
Total expenditure on charitable activities		72,661	6,631	79,292	64,805	4,424	69,229
Total expenditure		97,198	6,637	103,835	86,259	4,425	90,684
Net (losses)/gains on investments	7	(5,580)	-	(5,580)	5,058	-	5,058
Net (expenditure)/income		(4,370)	360	(4,010)	17,257	1,515	18,772
Transfers between funds	12	2,103	(2,103)	-	2	(2)	-
Actuarial gain/(loss) on defined benefit pension Scheme	17	16,000	-	16,000	(1,800)	-	(1,800)
Net movement in funds		13,733	(1,743)	11,990	15,459	1,513	16,972
Reconciliation of funds							
Total funds brought forward		91,757	4,863	96,620	76,298	3,350	79,648
Total funds carried forward		105,490	3,120	108,610	91,757	4,863	96,620

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

Balance Sheets

		Group		Charity		£'000
At 31 December		2022	2021	2022	2021	
Fixed assets	Note					
Tangible assets	6	22,639	21,552	24,190	23,103	
Investments	7	72,400	77,354	72,400	77,354	
Total fixed assets		95,039	98,906	96,590	100,457	
Current assets						
Stocks - finished goods and goods for resale		2,680	2,238	2,126	1,913	
Debtors	8	42,615	40,085	45,509	43,640	
Cash at bank and in hand		2,441	3,385	10	72	
Total current assets		47,736	45,708	47,645	45,625	
Creditors - amounts falling due within one year	9	(11,068)	(6,219)	(10,968)	(6,127)	
Net current assets		36,668	39,489	36,677	39,498	
Total assets less current liabilities		131,707	138,395	133,267	139,955	
Provisions for liabilities	10	(2,159)	(2,235)	(2,159)	(2,235)	
Net assets excluding pension liability		129,548	136,160	131,108	137,720	
Defined benefit pension scheme liability	17	(22,498)	(41,100)	(22,498)	(41,100)	
Total net assets		107,050	95,060	108,610	96,620	
The funds of the charity						
Endowment funds	12	933	933	933	933	
Restricted income funds	12	2,187	3,930	2,187	3,930	
Unrestricted funds	12	126,428	131,297	127,988	132,857	
Pension reserve	12	(22,498)	(41,100)	(22,498)	(41,100)	
Total unrestricted funds		103,930	90,197	105,490	91,757	
Total charity funds		107,050	95,060	108,610	96,620	

Approved by Council and signed on its behalf on



John Miller
Chair
16 June 2023

Consolidated Statement of Cash Flows

		Group		£'000
For the year ended 31 December		2022	2021	
	Note			
Net cash (used in) operating activities	a	(3,152)	(4,005)	
Cash flows used in investing activities				
Dividends, interest and rents from investments		1,003	1,063	
Purchase of property, plant and equipment		(2,814)	(1,757)	
Proceeds from the sale of property, plant and equipment		509	357	
Purchase of investments		(626)	(620)	
Net cash (used in) investing activities		(1,928)	(957)	
Change in cash and cash equivalents in the reporting period		(5,080)	(4,962)	
Cash and cash equivalents at the beginning of the reporting period	b	2,957	7,919	
Cash and cash equivalents at the end of the reporting period	b	(2,123)	2,957	

Note a. Reconciliation of net income to net cash (used in) operating activities

Net (expenditure)/income for the reporting period		(4,010)	18,725
Adjustments for:			
Investment income		(1,003)	(1,063)
Net (gain) on disposal of tangible fixed assets		(395)	(305)
Depreciation		1,613	1,621
Movements on investments		5,580	(5,058)
Increase in pension provision excluding actuarial loss		800	700
Pension deficit contributions		(3,402)	(8,500)
(Increase)/decrease in stocks		(442)	193
(Increase) in debtors		(2,530)	(10,410)
Increase/(decrease) in creditors		713	(210)
(Decrease)/increase in provisions		(76)	302
Net cash (used in) operating activities		(3,152)	(4,005)

Note b. Analysis of cash and cash equivalents

Cash at bank and in hand		2,441	3,385
Overdraft		(4,564)	(428)
Total		(2,123)	2,957

Note c. Analysis of changes in net debt

	At 1 Jan 2022	Cash Flows	Other non-cash charges	At 31 Dec 2022
Cash at bank and in hand	3,385	(944)	-	2,441
Overdraft repayable on demand	(428)	(4,136)	-	(4,564)
Borrowings	-	-	-	0
Total	2,957	(5,080)	-	(2,123)

Notes to the financial statements for the year ended 31 December 2022

1. Accounting policies

a) 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 2019.

Going concern

Trustees have reviewed projections of cash flow and profitability for the period to 31 December 2024 considering sensitivities to income and costs and how much they wish to spend in discretionary areas.

We expect that the Group will produce a total net expenditure position of £6.9 million in 2023 and in 2024. Based on this forecast we anticipate holding cash and liquid investments of £31.9 million at 31 December 2024.

The Group had investments with a value of £67 million at 28 February 2023 that are sufficiently liquid to be realised quickly (two funds have daily access, the third within a month). This gives the Group significant headroom in the cash flow forecasts. As a precaution the Group will also renew its overdraft facility from 1 July 2023.

The Trustees recognise that there remains a degree of uncertainty as a result of the pandemic, however this does not pose a material uncertainty that would cast doubt on the charity's ability to continue as a going concern.

After considering the projections of cash flow and profitability and the ability to liquidate the investment portfolio to support cash balances, the Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future, which is a period of at least 12 months from the signing of the accounts and audit report. For this reason, it continues to adopt the going concern basis in the financial statements.

b) 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.

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 12 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.

c) Income

Income is recognised in the SOFA when the charity has evidence of entitlement, receipt is probable and its amount can be measured reliably.

Legacies

Both pecuniary and residuary legacies are recognised at the earlier of probate being granted or the charity being advised, in writing, by the personal representative of an estate that payment will be made or assets transferred and when, 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 opening debtors not received in subsequent years and so allows for the potential variation in settlement values and the risk of a Will being contested.

Where part or all of a legacy has a claim against it, the disputed amount is not recognised as income, but is included as a contingent asset.

Reversionary interests involving a life tenant are not recognised.

Other income

Income from charitable trading, sales of new goods and other sales income are recognised when the goods or services are sold. The value recognised excludes VAT.

Donated goods are included in income when received and are measured at sales value, which is considered fair value.

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 income 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.

Income from Government grants is recognised when a claim has been made and entitlement is confirmed.

Gross proceeds from the People's Postcode Lottery are recorded as income in the SOFA.

Investment income is accounted for when receivable.

d) Recognition of expenditure

All expenditure is accounted for on an accruals basis and has been listed under the headings that aggregate all costs related to the category.

Costs of generating funds relate to those costs incurred to encourage donations and legacies and raise public awareness of the charity; those costs that enable us to trade goods and services; and those that relate to generating investment income.

Costs of charitable activities relate to those costs incurred in meeting the objectives of the charity and providing its public benefit.

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 average expected spends per property incurred in earlier years and the results of condition survey samples. Where the particular condition of an individual property means the use of an average spend would not be appropriate, the provision is estimated with reference to property survey information.

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.

e) 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.

f) Investment properties

In accordance with FRS 102 these properties are held for capital appreciation, initially recorded at cost and then subsequently at fair value. 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.

g) Investments

Listed and other investments are initially shown at cost and then subsequently at fair value to reflect the market valuation as 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 initially shown at cost and subsequently net of any impairment.

h) Stocks

Stocks are stated at the lower of cost and net realisable value. Donated goods are included at fair value on receipt, and the stock of donated goods 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.

i) Financial instruments

The PDSA Group only holds basic financial instruments. Investments are initially shown at cost and then 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 and 9.

The Group balances included in the accounts are as follows:

	2022 £'000	2021 £'000
Fixed Asset Investments	72,400	77,354
Debtors	42,615	40,085
Creditors: amounts falling due within one year	11,068	6,219

j) 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.

k) 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.

l) 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. When a rental holiday has been granted, or rentals temporarily reduced, the reduction is accounted to that period of the reduction and is not spread over the lease-term.

m) Basis of consolidation

PDSA 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.

n) 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.

o) Accounting estimates and judgements

In preparing the financial statements, the Trustees are required to make estimates and judgements. The matters below are considered to be the most important in understanding the judgements that are involved in preparing the financial statements and the uncertainties that could impact the amounts reported.

Cost allocation

Support costs not attributable to a single activity are allocated or apportioned on a basis consistent with identified cost drivers for that cost category and can be seen in more detail in note 3.

Legacy income accrual and contingent asset

Legacy income is recognised in accordance with the income recognition policy detailed in note 1 (c). In calculating the level of legacy accrual, management is required to exercise estimation and judgement, particularly in determining the amount and probability of receipt.

A contingent asset is identified for legacies notified to the charity when the inflow of economic benefit is probable, but does not yet meet the criteria for income recognition identified in note 1 (c).

Investment properties

These are valued by professionally qualified surveyors, using estimation techniques identified in note 1 (f).

Stocks

Goods donated by the public for us to resell are valued using estimates identified in note 1 (h).

Actuarial assumptions for the defined benefit pension scheme

These are incorporated in the financial statements in accordance with FRS 102 using advice from independent qualified actuaries. Significant judgement is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates. These are detailed in note 1 (k) and note 17.

Provisions

We hold specific provisions for several matters and these are individually described in note 10. We recognise a provision when it meets the tests identified in the policy in (n); the estimation techniques used are particular to each provision. The charity leases a large number of properties and our assumptions for property dilapidations are described in note 1 (d).



PDSA Order of Merit recipient Clive with owner Michelle

2. Income and endowments

	Group		Charity	
	2022	2021	2022	2021
Donations and legacies				
Legacies receivable	51,114	58,731	51,114	58,731
Donations and gifts	22,163	21,041	22,163	21,041
Gift Aid donation from subsidiaries	-	-	4,580	2,928
	73,277	79,772	77,857	82,700
Grant income				
Government Job Retention Scheme	-	619	-	619
Local Council Business Grants	-	1,207	-	1,207
	-	1,826	-	1,826
Other trading activities				
Lottery and similar income	2,294	2,083	-	-
Sales of donated goods*	10,228	7,034	10,228	7,034
Sale of new goods	2,311	1,736	-	-
Other income**	4,845	2,821	3,637	2,735
	19,678	13,674	13,865	9,769
Charitable trading activities				
Preventive services	4,426	2,549	4,426	2,549
Concessionary and other paid for services	7,869	6,192	7,869	6,192
	12,295	8,741	12,295	8,741
Investments				
Listed securities - dividends	626	620	626	620
Bank and other interest	11	58	1	52
Rents receivable	366	385	366	385
	1,003	1,063	993	1,057

* 2022 includes income of £3,431,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid scheme (2021: £2,519,000)

** 2022 Other income (Charity only) includes £3,553,000 (2021: £2,658,000) for the allocation of Retail costs from the Charity to its subsidiary, PDSA Trading Limited. These costs relate to the running of the Retail Gift Aid scheme, which is administered by the subsidiary.

3. Expenditure

	Group			2021
	Activities undertaken directly	Support costs allocated	Total	Total
Expenditure raising funds				
Legacies receivable	1,800	134	1,934	1,403
Donations and gifts	5,740	241	5,981	5,604
Raising public perception and awareness	1,754	110	1,864	1,314
	9,294	485	9,779	8,321
Expenditure on other trading activities				
Merchandising, charity shop and other trading	13,491	1,651	15,142	13,381
Lottery ticket sales	778	27	805	693
	14,269	1,678	15,947	14,074
Expenditure on investments	46	4	50	82
Expenditure on charitable activities				
Treatment at Pet Hospitals and by contracted services	67,606	7,809	75,415	66,229
Education: responsible pet ownership	975	83	1,058	1,106
Preventive services	2,702	127	2,829	1,902
	71,283	8,019	79,302	69,237
	94,892	10,186	105,078	91,714

	Group				2021
	Human Resources	Property Services	Finance and Management	Information Technology	2022
Expenditure raising funds					
Legacies receivable	26	-	59	49	134
Donations and gifts	21	-	185	35	241
Raising public perception and awareness	22	-	56	32	110
Expenditure on other trading activities					
Merchandising, charity shop and other trading	230	471	436	514	1,651
Lottery ticket sales	2	-	25	-	27
Expenditure on Investments	-	2	2	-	4
Expenditure on charitable activities					
Treatment at Pet Hospitals and by contracted services	2,185	569	2,178	2,877	7,809
Education: responsible pet ownership	34	-	31	18	83
Preventive services	40	-	87	-	127
Total support costs	2,560	1,042	3,059	3,525	10,186

Governance costs in the year of £369,000 (2021: £342,000) are included within Finance and Management support costs.

Bases of allocation

Human Resources - staff costs
Property Services - property costs, excluding rent

Finance and Management - expenditure
Information Technology - number of IT devices

				Charity	
	Activities undertaken directly	Support costs allocated	2022 Total	2021 Total	
Expenditure raising funds					
Legacies receivable	1,800	133	1,933	1,402	
Donations and gifts	5,740	241	5,981	5,604	
Raising public perception and awareness	1,754	110	1,864	1,313	
	9,294	484	9,778	8,319	
Expenditure on other trading activities					
Merchandising, charity shop and other trading	13,066	1,649	14,715	13,054	
	13,066	1,649	14,715	13,054	
Expenditure on investments					
	46	4	50	82	
Expenditure on charitable activities					
Treatment at Pet Hospitals and by contracted services	67,606	7,799	75,405	66,221	
Education: responsible pet ownership	975	83	1,058	1,106	
Preventive services	2,702	127	2,829	1,902	
	71,283	8,009	79,292	69,229	
	93,689	10,146	103,835	90,684	

Support costs breakdown by activity					Charity	
	Human Resources	Property Services	Finance and Management	Information Technology	2022	2021
Expenditure raising funds						
Legacies receivable	26	-	58	49	133	111
Donations and gifts	21	-	184	36	241	237
Raising public perception and awareness	22	-	56	32	110	82
Expenditure on other trading activities						
Merchandising, charity shop and other trading	230	471	434	514	1,649	1,191
Expenditure on Investments						
	-	2	++2	-	4	6
Expenditure on charitable activities						
Treatment at Pet Hospitals and by contracted services	2,185	569	2,168	2,877	7,799	6,859
Education: responsible pet ownership	34	-	31	18	83	86
Preventive services	40	-	87	-	127	74
Total support costs	2,558	1,042	3,020	3,526	10,146	8,646

Governance costs in the year of £356,000 (2021: £331,000) are included within Finance and Management support costs.

Bases of allocation

Human Resources - staff costs
Property Services - property costs, excluding rent

Finance and Management - expenditure
Information Technology - number of IT devices

4. Net expenditure/income before other recognised gains and losses

			2022	2021
These are stated after charging:				
Auditor's remuneration	audit fees charity		83	72
	audit fees subsidiaries		11	7
	non-audit fees charity	- tax compliance services	1	1
		- other consultancy services	49	-
	non-audit fees subsidiaries	- tax services	5	4
Operating leases			2,335	2,520

5. Employees

	2022	2021
Employment costs		
Salaries	50,092	44,897
Social security costs	4,796	4,043
Defined benefit pension costs	1,582	1,533
Other employer pension costs	4,528	4,071
Redundancy and termination payments	41	93
Other staff costs	248	224
Apprentice Levy	244	215
Total	61,531	55,076

During 2022, 8 employees were made redundant (2021:29), this was as a result of shop and warehouse closures. There were no termination payments made through settlement agreements in the year (2021: one).

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

	2022	2021
Veterinary	1,287	1,162
Retail	208	199
Marketing and Fundraising	103	139
Other	105	163
Total	1,703	1,663

	2022	2021
Employment costs		
The number of higher-paid employees whose emoluments were within the following scales was as follows:		
£60,001–£70,000	25	21
£70,001–£80,000	9	7
£80,001–£90,000	4	5
£90,001–£100,000	2	1
£100,001–£110,000	-	1
£110,001–£120,000	2	-
£120,001–£130,000	-	1
£130,001–£140,000	1	-
£140,001–£150,000	-	1
£150,001–£160,000	-	1
£180,001–£190,000	1	-
£190,001–£200,000	-	1
£200,001–£210,000	1	-

Emoluments include salary, allowances and benefits in kind, but exclude pension scheme contributions.

Thirty-four of the higher paid staff are members of the Group Personal Pension (GPP) Plan (2021: thirty). Eight of these staff members contribute to the Auto Enrolment section of the GPP (2021: six). Twenty-six of the staff members contribute to the GPP by paying contributions in excess of the Auto Enrolment minimum contribution rates (2021: twenty-four). Thirty-four of the higher paid staff members are employed in our Veterinary Services team (76%).

The total remuneration paid to the Executive team in 2022 (nine Directors) was £964,464 (2021: seven Directors, £819,000). Of the nine Directors who served during 2022, five served throughout the year, one retired in the first quarter of the year, one left in the third quarter of the year and two became Directors in the last quarter of the year.

The basic salary of the Director General, who is the highest paid employee, was £163,331 as at 31 December 2022 (£158,576 as at 31 December 2021). The Director General has elected to receive an additional cash payment in lieu of employer pension contributions.

The ratio between the highest and median contracted salary is 7:1 (2021: 7:1).

Members of Council do not receive any remuneration. They made donations to PDSA in 2022 totalling £1,500 (2021: £2,561).

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 £2,051 during the year for six Council members (2021: £341 for two).

6. Fixed assets

	Assets under course of construction	Freehold land and buildings	Leasehold buildings Long lease	Leasehold buildings Short lease	Pet Hospital land and buildings Freehold	Pet Hospital land and buildings Long lease	Furniture fittings and equipment	Motor vehicles	Total
Cost									£'000
At 1 January 2022	1,528	3,831	400	4,294	33,525	5,087	15,869	366	64,900
Reclassification	(3,255)	-	-	-	3,255	-	-	-	-
Additions	1,739	-	65	570	-	-	440	-	2,814
Disposals	-	-	(72)	(245)	-	(440)	(209)	(10)	(976)
At 31 December 2022	12	3,831	393	4,619	36,780	4,647	16,100	356	66,738
Depreciation									
At 1 January 2022	-	1,683	179	4,099	19,564	3,190	14,348	285	43,348
Charge for the year	-	84	12	65	874	126	403	49	1,613
Disposals	-	-	(38)	(245)	-	(367)	(202)	(10)	(862)
At 31 December 2022	-	1,767	153	3,919	20,438	2,949	14,549	324	44,099
Net book value									
At 31 December 2022	12	2,064	240	700	16,342	1,698	1,551	32	22,639
At 31 December 2021	1,528	2,148	221	195	13,961	1,897	1,521	81	21,552

The difference between the Group and charity fixed assets is the exclusion of the intra-group profit of £1,551,000. 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 net book value of these assets at 31 December 2022 is £5,999,000 (2021: £6,316,000).

7. Fixed asset investments

Group and charity	Listed investments	Other investments	Freehold investment properties	Total
At 1 January 2022	51,661	19,473	6,220	77,354
Additions	626	-	-	626
Net (losses)/gains on revaluations and disposals	(5,612)	372	(340)	(5,580)
At 31 December 2022	46,675	19,845	5,880	72,400

At 31 December 2022 and 2021 the charity had the following holdings constituting more than 5% of the portfolio market value:

	2022	2021
The Partners Fund	19,845	19,472
Schroders Diversified Growth Fund	23,602	26,624
Ninety One Diversified Growth Fund	23,073	25,038
The total of UK listed and other investments	66,520	71,134

Within fixed asset investments, investment properties are valued as at 31 December 2022 at £5,880,000. This represents four properties, all of which were valued by external RICS Registered Valuers. Properties are valued at fair value with reference to condition, location and market data. The charity is not aware of any material restrictions that might affect the realisation of any of its investment properties.

8. Debtors

	Group		Charity		£'000
	2022	2021	2022	2021	
Due within one year					
Accrued legacies	38,907	36,485	38,907	36,485	
Amounts due from subsidiary undertakings	-	-	3,515	3,795	
Income tax recoverable	377	557	377	557	
Sundry debtors	2,243	1,907	1,622	1,668	
Prepayments	1,088	1,136	1,088	1,135	
Total	42,615	40,085	45,509	43,640	

The charity has received notification of legacies amounting to approximately £18,729,000 (2021: £14,149,000). This total has not been recognised as income at 31 December 2022, 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 £1,235,000 at the end of 2022 (2021: £1,090,000) and represent a contingent liability.

9. Creditors: amounts falling due within one year

	Group		Charity		£'000
	2022	2021	2022	2021	
Bank overdraft	4,564	428	4,564	428	
Trade creditors	1,497	1,542	1,497	1,542	
Taxation and social security	1,509	1,088	1,509	1,087	
Sundry creditors	975	915	975	915	
Deferred income	87	80	-	-	
Accruals	2,436	2,166	2,423	2,155	
	11,068	6,219	10,968	6,127	

10. Provisions for liabilities

	£'000	
	2022	2021
Group and charity		
Obligations for dilapidations in respect of leased properties		
At the beginning of the year	2,228	1,809
Charged against provision in the year	(174)	(134)
Released in the year	(16)	(52)
Change in the year resulting from the number of properties and estimated cost per property	121	605
At the end of the year	2,159	2,228
Obligations for costs following closure of the Pet Practice Scheme		
At the beginning of the year	7	38
Charged against provision in the year	(7)	(31)
At the end of the year	-	7
Provision for future marketing and professional costs		
At the beginning of the year	-	86
Charged against provision in the year	-	(81)
Released in the year	-	(5)
At the end of the year	-	-

11. Analysis of Group net assets between funds

Fund balances at 31 December are represented by:	2022			2021		
	Restricted	General	Total	Restricted	General	Total
Tangible fixed assets	379	22,260	22,639	1,920	19,632	21,552
Investments	-	72,400	72,400	-	77,354	77,354
Current assets	2,741	44,995	47,736	2,943	42,765	45,708
Creditors – amounts falling due within one year	-	(11,068)	(11,068)	-	(6,219)	(6,219)
Provisions for liabilities	-	(2,159)	(2,159)	-	(2,235)	(2,235)
Net assets excluding pension liability	3,120	126,428	129,548	4,863	131,297	136,160
Defined benefit pension Scheme liability	-	(22,498)	(22,498)	-	(41,100)	(41,100)
Net assets including pension liability	3,120	103,930	107,050	4,863	90,197	95,060

12. Statement of Group Funds

	£'000					
	At 1 January 2022	Income	Expenditure	Actuarial / investment gains	Transfers	At 31 December 2022
General fund	131,297	99,651	(98,441)	10,420	(16,499)	126,428
Unrestricted funds excluding pension reserve	131,297	99,651	(98,441)	10,420	(16,499)	126,428
Pension reserve	(41,100)	-	-	-	18,602	(22,498)
Total unrestricted funds	90,197	99,651	(98,441)	10,420	2,103	103,930
Restricted funds						
Permanent endowment						
AW Blackwell bequest	933	27	-	-	(27)	933
Total permanent endowment funds	933	27	-	-	(27)	933
Income funds						
Restricted legacies	2,986	6,177	(6,319)	-	(1,165)	1,679
Digital x-ray – appeal	60	112	-	-	(75)	97
Nottingham PDSA Pet Hospital - capital appeal	805	31	-	-	(836)	-
Manchester PDSA Pet Wellbeing Centre expansion - capital appeal	-	81	-	-	-	81
Homeless project - Manchester	3	-	7	-	-	10
Homeless project - UK	20	-	(6)	-	-	14
Brighton Pet Hospital - treatment of cats and dogs	-	48	(48)	-	-	-
Sunderland Pet Hospital - heating and cooling system replacement	-	201	-	-	-	201
Edinburgh Pet Hospital - general expenditure	-	21	-	-	-	21
Veterinary Care Assistant Salary Support	-	37	(37)	-	-	-
Veterinary Care Assistant Training Support	-	30	(30)	-	-	-
PetCheck Vehicle - general expenditure	2	-	-	-	-	2
Miscellaneous restricted donations less than £15,000	54	232	(204)	-	-	82
Total restricted income funds	3,930	6,970	(6,637)	-	(2,076)	2,187
Total restricted funds	4,863	6,997	(6,637)	-	(2,103)	3,120
Total funds excluding pension reserve	136,160	106,648	(105,078)	10,420	(18,602)	129,548
Total funds	95,060	106,648	(105,078)	10,420	-	107,050

The general fund represents the free funds of the group 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 FR5102.

The net transfer to the general reserve of £16,499,000 relates to the decrease in the pension reserve in the year of £18,602,000, income from endowment funds of £27,000, and restricted legacies and donations expended on capital items of £2,076,000.

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

- The AW Blackwell endowment provided interest benefit of £27,000 to PDSA in 2022; 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: PetCheck vehicle in the West Midlands £25,000, Helmsley/Kirbymoorside £333,000, Llanelli £258,000, Aberdeen £304,000, Isle of Wight £14,000, Brighton £34,000, Coventry £16,000, Dundee £366,000, Huddersfield £68,000, Hull £135,000, Leeds £53,000, Wiltshire £15,000, Colwyn Bay £42,000 and other restricted legacies individually below £10,000.

13. Related parties

	£'000	
	2022	2021
Sales from PDSA to PDSA Trading Limited		
Allocation of shared staff and overhead costs	5,081	3,531
	5,081	3,531
Sales from PDSA to PDSA PetAid Enterprises Limited		
Allocation of shared staff and overhead costs	321	252
	321	252
Sales from PDSA Trading Limited to PDSA		
Acquisition of donors and administration of the Retail Gift Aid sales Scheme	3,656	2,735
	3,656	2,735
Amounts owed to PDSA by subsidiary undertakings		
PDSA Trading Limited	3,450	3,715
PDSA PetAid Enterprises Limited	39	54
PDSA Property Services Limited	26	26
	3,515	3,795

14. Capital commitments

	£'000	
	2022	2021
Group and charity		
Contractually committed purchases of tangible fixed assets	-	1,549
Purchases of tangible fixed assets authorised but not contracted for	10,477	2,670
	10,477	4,219

15. Operating lease commitments

Total commitments not provided for in these financial statements under non-cancellable* operating leases are as follows:

	£'000	
	2022	2021
Group and charity		
Amounts payable		
Within one year	1,968	1,860
After one year but within five years	3,641	2,690
After more than five years	578	761
	6,187	5,311

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.

16. Subsidiary undertakings

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

	Company number	
PDSA Trading Limited	1595637	Principal activities are the operation of lotteries, sale of financial services and sale of new goods through PDSA's chain of shops and online.
PDSA Property Services Limited	2340793	The company is currently not trading but is intended for reactivation in 2023.
PDSA PetAid Enterprises Limited	4374375	Principal activity is the provision of commercial veterinary services.

The total taxable profits of the subsidiary undertakings are gifted to the charity. No loans are advanced by the charity to its subsidiaries.

A summary of the results of the subsidiaries

£'000

For the year ended 31 December

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2022	2021	2022	2021	2022	2021
Income	12,679	9,026	-	-	352	277
Expenditure	(8,125)	(6,165)	-	-	(326)	(210)
Profit/(loss) for the year	4,554	2,861	-	-	26	67
Gifted to The People's Dispensary for Sick Animals	(4,554)	(2,861)	-	-	(26)	(67)
Retained loss	-	-	-	-	-	-

Aggregate of the assets and liabilities

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2022	2021	2022	2021	2022	2021
Assets	3,553	3,808	10	10	43	58
Liabilities	(3,546)	(3,801)	(26)	(26)	(43)	(58)
Net assets/(liabilities)	7	7	(16)	(16)	-	-

17. 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 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 2020 and showed a deficit of £55.4 million. A future funding schedule has been agreed with the Trustee of the RBP

to eliminate the deficit by 31 August 2032. An independent qualified actuary has calculated the RBP liabilities from data provided by the RBP administrators as at 31 December 2020.

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 was closed to future accrual with effect from 5 April 2019.

In respect of the deficit arising from the 31 December 2020 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 2020 Triennial Valuation.

The amounts recognised in the balance sheet are as follows:

	£ millions	
	2022	2021
Present value of funded obligations	(114.6)	(191.5)
Fair value of Scheme assets	92.1	150.4
Deficit recognised in scheme	(22.5)	(41.1)

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

	2022	2021
Scheme administration expenses	0.6	0.7
Net interest on the defined benefit liability	0.7	0.5
Total cost	1.3	1.2

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

	2022	2021
Actuarial gain/(loss)	76.7	(4.8)
Return on Scheme assets in excess of interest income	(60.7)	3.0
Total gain/(loss)	16.0	(1.8)

Sensitivity Analysis

At the reporting date, reasonable possible changes to one of the relevant actuarial assumptions, with the other assumptions held constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2022(Decrease)/Increase in DBO (£m)
Discount rate +0.50%	(9.1)
Inflation +0.50%	6.9
Mortality +1 year life expectancy	2.9

The change to the inflation sensitivity allows for changes to pension increases in deferment and in payment. Although the analysis does not take account of the full distribution of cash flows expected, it does provide an approximation of the sensitivity of the assumptions shown.

Changes in defined benefit obligation during the year

	2022	2021
Opening defined benefit obligation at 1 January	191.5	187.3
Interest cost	3.4	2.4
Actuarial (gain)/loss	(76.7)	4.8
Benefit payments	(3.6)	(3.0)
Closing defined benefit obligation	114.6	191.5

Changes in fair value of scheme assets during the year

	£ millions	
	2022	2021
Opening assets at 1 January	150.4	140.2
Interest income	2.7	1.9
Return on scheme assets in excess of interest income	(60.7)	3.0
Expenses paid	(0.6)	(0.7)
Employer contributions	3.9	9.0
Benefit payments	(3.6)	(3.0)
Closing assets	92.1	150.4

Projected income and expenditure

	2022	2021
Interest cost	5.3	3.5
Interest income	(4.2)	(2.7)
Administration expenses	0.6	0.7
Total	1.7	1.5

Fair value of scheme assets in each category

	2022	2021
Equities and property	25.9	58.6
Gilts	36.4	50.9
Insurance policy	16.8	25.2
Other credit	11.9	9.4
Cash	1.1	6.3

For the purposes of FRS102 Section 28 the asset values stated are at the balance sheet date. Market values of the Plan's assets, which are not intended to be realised in the short-term, may be subject to significant changes before they are realised.

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

	2022		2021	
	Pensioner	Non Pensioner	Pensioner	Non Pensioner
Discount rate	4.80%	4.65%	1.85%	1.80%
Price inflation RPI	3.25%	3.15%	3.55%	3.25%
Price inflation CPI	2.80%	2.70%	3.05%	2.75%
Future pension increases RPI 5%	2.95%	2.90%	3.45%	3.15%
Future pension increases RPI 2.5%	1.90%	1.85%	2.30%	2.25%

Life Expectancy

	2022	2021
	Years	Years
Male (current age 45)	22.5	22.7
Male (current age 65)	21.2	21.4
Female (current age 45)	24.8	25.0
Female (current age 65)	23.3	23.5

Thank You

We couldn't do what we do without our wonderful staff and volunteers. We are incredibly thankful to have such an amazing team, who are passionate about helping people and pets stay together. From our veterinary team who treat countless sick and injured pets every day, to volunteers in our shops who help us raise money to carry on; we couldn't do it without you.

We are very grateful to our supporters and corporate partners. Their generous support keeps people and pets together.

We are especially thankful for the generosity of Mr and Mrs Ionescu, players of People's Postcode Lottery, and the University of Nottingham who enabled us to build our new Nottingham PDSA Pet Wellbeing Centre.

For more information, please visit:

pdsa.org.uk

While PDSA is a national charity, we are also embedded within local communities through our network of Pet Hospitals and Charity Shops located all around the country.

pdsa
THE VET CHARITY FOR PETS IN NEED

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- PDSA Pet Hospitals
- PDSA shops
- PetCare Practices & Chronic Voucher Schemes

